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Year-end analysis of world markets

Separate section

World Business Newspaper http://www.FT.com THURSDAY DECEMBER 11 1997

WORLD NEWS

Worries over Yeltsin's health hit Russia's fragile markets

Russia's fragile markets were shaken when the Kremlin announced that President Boris Yeltsin had an "acute respiratory viral infection" and would be in a sanatorium near Moscow for up to two weeks. Page 12

Korea talks end with hope
The opening session of talks between China, North and South Korea and the US to produce a permanent peace settlement in the Korean peninsula has ended with agreement to meet again in Geneva next March. Editorial Comment, Page 11

Danes forecast surplus
Danish economy minister Marianne Jelved predicted Denmark will have a surplus on both the current account and the government budget fiscal balance for the first time since 1963. Page 8

Brussels copyright plans
The European Commission has unveiled its long-awaited draft directive to harmonise EU rules on copyright in the information society. Page 4

French back 35-hour week
France's leftwing government has approved a draft bill bringing in a 35-hour week for private companies with more than 20 staff in the year 2000. Page 3

Santer rejects charges
European Commission president Jacques Santer rejected charges that Brussels under-estimated costs of EU enlargement in eastern Europe. Page 2; Editorial Comment, Page 11

Mexico in EU talks
Mexico's trade minister Herminio Blanco said detailed talks with the EU on a free trade zone could start as early as March. Page 4

Turkish PM wins vote
Turkey's PM Mesut Yilmaz has easily defeated a vote of no confidence, with the opposition falling 32 votes short of the 276 needed to topple him. Page 2

Nuclear arms threat
Nuclear arms are likely to be used sooner or later unless they are eliminated, said a group of senior foreign policy figures who spent three years analysing international conflict. Page 5

Serbs walk out of Bosnia talks
Serb leaders have walked out of an conference on Bosnia in a protest over Kosovo. Page 2

Call for Ukraine reform
Ukraine's financial state is so bad that the government must reform or face economic collapse, reformist deputy PM Serhiy Tyhypko said. Page 3

Dublin ranks low for cabs
Ireland's economy has outgrown the rest of Europe but the number of taxis has not kept pace, and a Dublin University study estimated the cost at more than I£12m ($17m) a year. Page 2

German party hit by ruling
Germany's Free Democratic Party, junior member of the ruling coalition, was hit when a court ordered it to repay DM10.5m ($5.9m) of state aid. Page 2

Argentina air safety 'deficient'
Safety in Argentina's airspace is "critically deficient" said Latin American and Caribbean airline pilots after a spate of near-misses this year. Page 5

New Swiss president
Swiss foreign minister Flavio Cotti has been elected as the country's president for a one-year term from January. Page 2

Pigeons settle out of court
The makers of Hollywood movie *No Code of Conduct* are paying to treat a flock of pigeons hurt by explosions during the filming.

BUSINESS NEWS

JP Morgan results signal blow to global earnings

J.P. Morgan, the US bank, warned that its fourth-quarter earnings would be lower than expected, adding fuel to fears about the impact of weak Asian markets on the profits of international banks and industrial companies. Page 18

BellSouth, the US regional telecoms operator, is in talks with Düsseldorf-based Veba about taking a stake in the German industrial conglomerate's fledgling telecoms operation, o.tel.o. Page 17

Frontline, the Bermuda-based group, has mounted a legal challenge in Sweden to the $309m merger between ICB Shipping of Sweden and Astro Tankers, the privately owned Greek shipping company. Frontline, behind a SKr3.22bn ($410m) hostile bid for ICB, has argued that the deal flouts Swedish company law. Page 16

Unified Energy Systems, Russia's national electricity monopoly, is to to sell 101 subsidiaries unrelated to its core business, including poultry farms and commercial banks. Page 14

Corning, the US-based manufacturer, said its consumer housewares division, which owns the Pyrex and Corning Ware brands, remains up for sale after AEA Investors, a private investment group, pulled its $975m bid for the operation. Page 13

General Motors is to buy 49 per cent of Delta Motor, the vehicle assembler formed from a management buy-out of its South African subsidiary. Page 12

Coopers & Lybrand, the Big Six accountancy firm which is seeking a global merger with Price Waterhouse, has announced a 10 per cent increase in worldwide revenues to $7.5bn for the year to September. Page 16

Pearson, owner of the Financial Times, Thomson, the Canadian media group, and Bridge Information Systems have expressed interest in a financial information business that could be sold by Primark for up to $1bn. Page 13

American International Group, largest US insurer, said it has raised $1.53bn for an infrastructure fund to invest in Asia. Page 14

Tenneco, the US packaging and automotive products group, saw its shares fall by almost 10 per cent yesterday after the company warned that its fourth-quarter profits would fall well below analysts' estimates. Page 14

Sidek, Mexican tourism and real estate conglomerate, has won the backing of most of its main creditors for a restructuring plan to liquidate $1.3bn of assets. Page 14

Tianjin Development Holdings, investment arm of the Tianjin municipal government in China, saw its shares rise 24 per cent on their debut yesterday, signalling a possible revival of confidence in "red chips" in Hong Kong. Page 13

Japan's financial watchdog called for penalties to be imposed on Daiwa Securities and Nikko Securities, the country's second and third-largest brokers, over a recent racketeer scandal. Page 4

Korean Development Bank, which borrows on behalf of the government of South Korea, is to issue a $2bn international bond to refinance emergency borrowings from the International Monetary Fund. Page 13; Editorial Comment, Page 11; Lex, Page 12

Commission seeks delay on cattle materials ban

By Michael Smith in Brussels and Alison Maitland, George Parker and Maggie Urry in London

The European Commission yesterday decided to press for a three-month delay to a ban on the use of "specified risk material" from cattle in a range of industrial products including food and medicines.

At the same time the Commission's scientific advisory body called for a widening of its ban on the sale of some cattle, sheep and goat parts because of fears over the spread of BSE or "mad cow" disease.

The Commission's recommendation for the SRM ban to come into effect from April 1 rather than January 1 will be seen as a climbdown amid growing divisions between member states.

However, it was welcomed in the US. Washington has argued that the ban on such material puts billions of dollars of trade at risk because cattle derivatives, including tallow, are used in a wide range of products.

It believes the ban, which the commission decided to implement last July, with only partial backing from EU member countries, is not justified if applied to its cattle and has threatened a trade war.

The three month delay will intensify friction between EU member countries because some – including Germany, Austria, Spain and Italy – argue that they are BSE-free and should therefore be exempted. Such exemptions would be resisted by the UK and other countries with BSE.

The recommendation of the 16-member Scientific Steering Committee could end the sale of T-bone steaks across Europe and restrict the supply of lamb on the bone.

The committee said the intestines of cattle, sheep and goats of all ages, and the lungs, vertebral column and dorsal root ganglia – a cluster of nerves inside the column – of animals more than one year old should be added to the list of specified risk material "if they do not originate from a BSE-free country".

The move comes only a week after the UK government decided to ban sales of beef on the bone from Tuesday.

"This is bad news for the beef market," said Copa, the European farmers' organisation. It said consumption and prices would take another knock just as sales were recovering from the March 1996 crisis.

Beef on the bone accounts for 20-25 per cent of sales on the continent, compared with 5 per cent in the UK, said Costa Golfidis, livestock representative.

The ban on boned mutton was less worrying because most lamb sold on the bone was under 12 months old, he said.

However, in a footnote the

Continued on Page 12

Générale des Eaux unit to buy 12 power plants

By Victoria Griffith in Boston and Andrew Jack in Paris

Sithe Energies, the US subsidiary of Générale des Eaux, the French utilities group, is to pay $675m for 12 power plants belonging to Boston Edison, the Massachusetts electricity utility.

The sale of the Massachusetts and Maine plants is the first step towards state-mandated deregulation in the electricity sector.

For Boston Edison, the move is part of a strategy to focus on electricity transmission and customer service and withdraw from generation.

Sithe, 60 per cent-owned by Générale des Eaux, said yesterday that it would invest another $1bn to boost generating efficiency, dramatically expanding its US presence.

Separately, Générale de Chauffe, another subsidiary, of the French giant, agreed to pay FFr430m ($72m) for a 53 per cent stake in Moravskoslezke Teplarny, the Czech utility – one of the largest combined heat and power companies in central Europe. The acquisition involves the Czech company, Independent Power.

Générale des Eaux has been transforming itself under its chairman, Jean-Marie Messier, with the sale of non-core businesses such as Générale de Santé and Générale de Restauration. Acquisitions include a controlling stake in Havas, the French media group.

It has also been awarded the contract to manage two regional railway franchises in the UK. Last month, it expressed an interest in buying or running London Underground. Sithe said yesterday's deal was one of many it hoped to complete in the US over the next few years after deregulation.

The company operates 22 power plants in the US, including six each in New York State and California and four in Pennsylvania. Massachusetts and other US states are trying to cut the cost of electricity to consumers by introducing competition.

Boston Edison, under state legislation enacted last month, must achieve a 15 per cent rate reduction for all customers by September 1999. "This sale will help us do that," said Thomas May, its chief executive.

Sithe's $1bn investment will include the installation of state-of-the-art generating equipment

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Share sale, Page 16

Looking over their shoulders: Saudi delegates on the second day of the 8th summit of the Organisation of the Islamic Conference stand in front of a portrait of Ayatollah Khomeini, former Iranian leader and founder of the Islamic revolution. Iran and Arab states differ, Page 6

Picture: Reuters

IMF rescue fears trigger S Korea market turmoil

By John Burton in Seoul

South Korea's financial markets were in turmoil yesterday amid worries that the International Monetary Fund's $57bn rescue package would be inadequate to meet the country's short-term debt obligations.

The Korean currency, the won, fell by its 10 per cent daily limit to a record low of 1,565.90 won to the dollar, while interest rates rose more than 50 basis points to a 16-year high of 25.48 per cent, six times the inflation rate.

Lim Chang-yuel, the finance minister, dismissed speculation that Korea might be in danger of defaulting on overseas loans, which could result in a moratorium and restructuring of debt similar to that affecting Latin America in the 1980s.

In response, the government announced it was accelerating a wider opening of the stock and bond markets to foreign investors. It also suspended the operations of five more troubled merchant banks in addition to nine suspended last week as part of a restructuring of the financial industry under IMF terms.

It also announced plans to issue a $2bn bond to meet its short-term debt obligations. The bond, which will have a three-year maturity, is likely to be priced to yield a much higher spread than South Korea is accustomed to paying.

Under the stock and bond market measures, the foreign shareholding ceiling in listed companies will nearly double to 50 per cent from today, while foreigners

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will be able to acquire 30 per cent of guaranteed medium-term corporate bond issues from tomorrow.

The Seoul bourse reacted to the measures by climbing 3 per cent to 399.85. But analysts did not expect much capital inflow because of worries over foreign exchange losses.

Mr Lim expressed confidence that foreigners would respond favourably to the market opening, despite this year's 46 per cent drop in the won's value.

The won has fallen by its daily limit for three days in response to reports that Korea's total short-term debt exceeded $100bn, nearly twice previous estimates.

Mr Lim said the large debt did not pose a threat since nearly half was borrowed by overseas subsidiaries of Korean companies.

He admitted that Korea's heavy reliance on short-term debt was a main reason for the financial crisis, but the nation's debt servicing was modest at 6 per cent of gross domestic product.

Mr Lim said the government would not place its foreign exchange reserves in the overseas branches of Korean commercial banks after the IMF revealed that usable reserves had fallen to only $6bn last week because of the practice.

Korea's official reserves were $23.9bn, but access to $17.9bn was blocked because the funds were in overseas accounts. Korea must meet short-term obligations of up to $20bn by year's end.

Korea's crisis hit financial markets across the region with the Taiwan dollar tumbling and shares in Hong Kong falling.

Markets

STOCK MARKET INDICES

New York: lunchtime		
Dow Jones Ind Av	7,965.37	(-84.29)
NASDAQ Composite	1,593.68	(-26.67)
Europe and Far East		
CAC40	2,932.18	(-27.22)
DAX	4,117.27	(-67.64)
FTSE 100	5,130.7	(-46.4)
Nikkei	16,476.12	(-206.39)
US LUNCHTIME RATES		
Federal Funds	5½%	
3-mth Treas Bills: Yld	5.188%	
Long Bond	100½	
Yield	6.104%	
OTHER RATES		
UK: 3-mo Interbank	7¾%	(7¾%)
UK: 10 yr Gilt	106.2969	(106.140)
France: 10 yr OAT	100.7	(100.7)
Germany: 10 yr Bund	104.40	(104.32)
Japan: 10 yr JGB	109.32	(109.14)
NORTH SEA OIL (Argus)		
Brent Dated	$17.02	(17.60)

GOLD		
New York: Comex		
(Dec)	$286.6	(282.8)
London:		
	$284.15	(283.85)
EXCHANGE RATES		
Dollar		
New York: lunchtime		
£	1.65	
DM	1.784	
FFr	5.9702	
SFr	1.444	
Y	128.8	
London:		
£	1.6515	(1.6457)
DM	1.7930	(1.7945)
FFr	5.9680	(6.0073)
SFr	1.4432	(1.4523)
Y	129.025	(129.88)
Tokyo close		Y 129.45
Sterling		
DM	2.9446	(2.9533)

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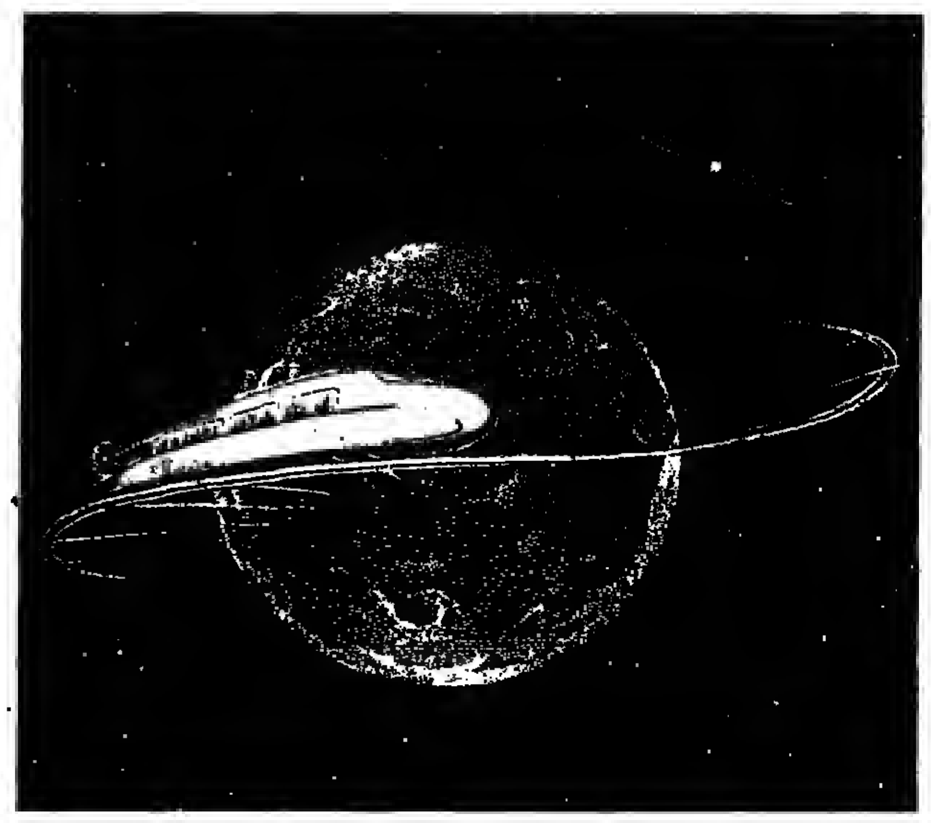

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Santer rejects charges of massaging figures on costs of admitting east Europeans

EU has 'ample' funds for enlargement

By Lionel Barber in Brussels

Jacques Santer, president of the European Commission, yesterday rejected charges that Brussels had deliberately under-estimated the costs of the European Union's planned enlargement to eastern Europe.

Speaking ahead of tomorrow's EU summit in Luxembourg, Mr Santer said the Commission's proposed spending levels for 2000-2006 left ample room for admitting up to 10 former Soviet bloc countries.

"We do not massage the figures," he told a news conference in response to criticism in the European Parliament. Some MEPs claim that the Commission is repeating the German government's mistaken optimism about absorbing unification with east Germany.

Mr Santer's prime message was to urge fellow leaders at the summit to prevent petty financial squabbles obscuring the vision of a Europe united between west and east. "This is a big day in the history of the European Union which will mark the end of the division of Europe, " he said. "We have to succeed."

The Luxembourg summit is expected to issue invitations to five eastern applicants – the Czech Republic, Hungary, Poland, Estonia, and Slovenia – as well as Cyprus to open negotiations in March 1988 to join early next century.

EU leaders will offer extra financial aid and political reassurances to those left behind. The disappointed candidates are Latvia, Lithuania, Bulgaria, Romania and Slovakia, the latter falling on political grounds. But deep divisions remain over how to spread the cost of enlargement among existing members.

Mr Santer said it was time to banish "artificial fears". The 10 candidates stood to receive Ecu75bn ($84bn) in financial aid, Ecu45bn of which would be in regional funds, assuming modest growth of 2.5 per cent a year.

The EU would have an extra margin of manoeuvre between 2000 and 2006 if the Commission's proposal to hold spending at 1.27 per cent of EU gross domestic product survives. In fact, spending may only amount to 1.22 per cent over the period, he said.

This would amount to an extra Ecu15bn, according to internal Commission calculations. In addition, countries on a slower track to enlargement would receive more money because the faster-track countries would start paying into the EU budget once they become members.

Mr Santer called on Greece and Turkey to patch up their differences before the summit. He insisted that Turkey should respect the principle of good neighbourliness regarding its territorial dispute with Greece in the Aegean. It was time to acknowledge the role of international courts to resolve such disputes, and to support efforts to reach a settlement in Cyprus.

But he also said that Greece should acknowledge Turkey's vocation to be a member of the EU and to unblock financial aid related to the EU customs accord.

George Papandreou, Greek foreign minister, reaffirmed the hard-line stand in Athens to Turkish participation in the conference. "We will hold our ground," he told Reuters yesterday.

Editorial Comment, Page 11

Taxis fail to keep pace in Dublin

By John Murray Brown in Dublin

The Irish economy may have outgrown that of the rest of Europe but the supply of taxis has failed to keep pace. The number of licences for the capital has not changed for more than 20 years – a singular constraint when demand in the economy as a whole is rocketing.

John Fingleton, an economist at Trinity College, yesterday published a report estimating the cost to the Dublin public at more than I£12m ($17m) a year – through the time lost in queuing and the monopoly profits earned by the taxi drivers.

"A lobby group of 2,000 has a disproportionate influence on a market of more than 1m users," says Mr Fingleton.

The numbers should be "doubled or tripled" to meet the current demand, and the government should deregulate the licensing procedure, he added.

Since 1978, Dublin's population has grown by 13 per cent – with a 66 per cent increase in the adult numbers as a result of the 1960s baby boom.

The annual number of tourist arrivals has risen from 2.5m to 9m. As for the city's 1,924 cabbies, licence plates change hands for more than I£80,000, compared with the original cost of I£100.

The local authorities recently decided to issue an additional 200 plates but only 30 will be ready by Christmas.

A survey by the Dublin Corporation, the city authority, found that less than quarter of telephone calls to cab firms succeeded in obtaining taxis between 10 a.m. and midnight.

The previous Fine Gael-led government passed responsibility from the minister to the local authorities to grant new licences.

But Olivia Mitchell, Fine Gael transport spokeswoman, says the move was "a poisoned chalice for the local authorities."

Only last month, the city centre was brought to a standstill for several hours, when drivers blocked the main streets in protest at plans to increase the licence fee.

John Usher, of the Taxi Drivers' Federatioo, said: "I am outraged people are talking of a thousand new licences. Our critics are always focusing on the weekend rush bour. You have to remember our members are having to wait for two hours in the middle of the day to get a fare."

Turkey's PM demands an upgrade from 'third class'

Mesut Yilmaz wants his country to be promoted at least to the pre-accession group of future EU members, writes **Edward Mortimer**

This weekend's European Union summit in Luxembourg, intended to set the scene for enlargement negotiations with new members in central and eastern Europe, is in danger of being dominated by the old and vexed issue of what to do about Turkey.

No one, not even the Turkish government, suggests Turkey should be included in the select group of states which will start negotiating terms of entry next April. In all probability these will be Cyprus, the Czech Republic, Estonia, Hungary, Poland and Slovenia.

The problem is that the EU is not even willing to include Turkey in the second wave – those deemed not to be ready yet, but destined to be future members and entitled to help to get themselves ready to join sooner rather than later.

Hence the complaint of Mesut Yilmaz, the Turkish prime minister, that his country is being accorded "third class treatment", even though it has an association agreement going back 34 years which was supposed to lead to full membership.

Mr Yilmaz points out that Turkey has for two years been in the "final stage" of associate membership, during which, under the agreement, the conditions of full membership should be discussed, "and that's what we expect the Union to do now".

So far, however, Turkey has only been offered membership of an annual "European conference" bringing together present and future members, and even that is not yet agreed by all EU members.

Mr Yilmaz visited Tony Blair, the UK prime minister on Tuesdsy and yesterday went on to Luxembourg to see Jean-Claude Juncker who will chair the summit.

Mesut Yilmaz: not interested in a mere 'family photo'

He told them Turkey was not interested in being invited to a mere "family photo" with no substantive content. It wants to be promoted at least to the "second class" of future members, those for which the EU is developing a "pre-accession strategy". At present this group seems likely to consist of Bulgaria, Latvia, Lithuania, Romania and Slovakia.

Germany and several north European countries are unwilling to commit themselves so clearly to future Turkish membership, for a mixture of reasons, ranging from disapproval of the country's human rights record through fear of being swamped by Turkish migrant workers to a more general feeling, expressed more in private than in public, that no Moslem country can ever really share European culture and values.

Greece, meanwhile, though claiming it has no objection in principle to Turkish EU membership, is blocking any moves in that direction until Turkey agrees to submit a border dispute in the Aegean to the world court. Greece also considers the presence of Turkish troops in northern Cyprus an illegal occupation, and wants to use Turkey's relations with the EU as a lever to bring about a Cyprus settlement on terms acceptable to the Greek Cypriots.

On the other side, Britain, France, Italy, Spain and Austria are all anxious to placate Turkey as far as possible, not because they actively desire Turkish membership but because they fear the consequences of leaving Turkey resentful and ill-disposed towards the EU. One concern is that this could strengthsn the "fundamentalist" forces opposed to the west in Turkey's domestic politics.

But the more immediate reason for wishing to keep Turkey on side is the fact that Cyprus is one of the countries with which the EU is committed to open membership talks next year. These talks can if necessary be held with the purely Greek Cypriot government in the south of the island.

But everyone agrees it would be far preferable to include the Turkish Cypriots as well, and everyone hopes UN-sponsored talks to reconcile the two communities and reunite the island can proceed at the same time. France, for one, is on record as saying it would not allow a divided Cyprus to join the EU.

Yet without active encouragement from the Turkish government there is no chance that the Turkish Cypriots will participate in EU membership talks, or make any serious effort to reach agreement on reunification. Some western governments also fear Greek-Turkish disputes in Cyprus and the Aegean could spark a war if not carefully handled.

On Tuesday Mr Yilmaz promised Mr Blair he would co-operate with the British EU presidency (which starts next month) to solve both the Cyprus question and the Turkish-Greek conflict by "finding mutually acceptable formulas".

On his side, the UK Prime Minister promised to do his best to get Turkey invited to a European conference "with substance", but urged Mr Yilmaz to make the task easier by making whatever public moves he can before the summit, whether on Cyprus, on submitting the Aegean dispute to ths world court, or on human rights within Turkey.

No-confidence vote defeated

Turkey's prime minister, Mesut Yilmaz, easily defeated an opposition vote of no confidence to his six-month-old government yesterday, writes John Barham in Ankara.

The conservative opposition True Path party had accused a cabinet minister of corruption.

If the government had lost, Mr Yilmaz and his minority coalition government would have had to resign, possibly triggering fresh elections.

True Path have made allegations against Yaşar Topcu, public works minister and a former True Path hardliner, over the awarding of a highway construction contract.

However, MPs from True Path and the Islamist Welfare party fell 32 votes short of the 276 votes needed to topple the government.

Victory was virtually assured after 55 deputies in the Grand National Assembly renewed a pledge to snub the vote altogether.

For his part, Mr Topcu said the result vindicated him and the government.

The Supreme Court yesterday began the final stages of its deliberations in the case against Welfare.

A state prosecutor is demanding the party be closed down for allegedly conspiring against the secular order during its 11-month government which collapsed in June after pressure from the secularist military.

The court is to reconvene next Tuesday to consider fresh evidence.

Observers expect a verdict by the end of the year banning Welfare and proscribing its leaders for five years.

Foreign investors return to Russia

By Chrystia Freeland in Moscow

For Russia, the worst of the international financial crisis is over, and foreign investors are beginning to return to the market, a central bank official said yesterday.

"The situation has significantly normalised and the peak of the pressure is over," Denis Kisiliev, deputy chairman of the bank, said. "We have an impression that the nervousness of investors abont emerging markets is passing."

Bnt Mr Kisiliev's assessment risks being sabotaged by Boris Yeltsin's latest illness. Rnssian markets, which had been making a tentative rebound, began to sink yesterday after news that Mr Yeltsin bad been taken to hospital.

Mr Kisiliev said the rouble had begun to strengthen and foreign investors were returning to the fragile treasury bill market. "The actions of the central bank and government have been adequate. The rouble is stable and foreigners are beginning to buy government bonds.

"More than tens of millions of dollars" in foreign investment had returned to the domestic treasury bill market, Mr Kisiliev declared. Russians had also returned to the market, creating buying pressure which had pushed yields down.

The central bank, which in November spent over $4bn of its hard currency reserves propping up the rouble and holding down rates in the treasury bill market, had not intervened since the start of this month.

Mr Kisiliev, who has special responsibility for supervising Russia's largest commercial hanks, said he believed the commercial hanking sector would weather the recent crisis.

He insisted the Russian central bank would not bail out domestic banks if they collapsed. Instead, the central bank would sell failing banks to investors ahle to covsr their liabilities. According to Mr Kisiliev, sevsral leading western institutions have volunteered.

In the last week of November and the first week of December, the two most difficult weeks for the Russian hanking system, Russia's higgest banks had been forced to come up with $1.3bn to meet margin calls on dollar-denominated Russian debt, he added.

"The financial crisis hrought significant losses, but we have not heard of any defaults hy Russian banks."

Protest over Kosovo seen as election ploy and pretext to blunt foreign criticism

Serb walk-out mars Bosnia talks

By David Buchan in Königswinter

Serb leaders yesterday stalked out of an international conference on Bosnia in a protest over Kosovo, effectively using a side-issue to distract attention from foreign criticism of Serbs and other ethnic communities in Bosnia.

The abrupt walk-out by the represeotative from Serbia, followed promptly by the Bosoian Serbs, marred the presentation – though not the substance – of yesterday's decision by the Peace Implementation Conference backing bolder action by Bosnia's international supervisors to break political deadlocks between its ethnic communities.

As host of the conference, Klaus Kinkel, German foreign minister, sought to play down the Serbs' premature departure. He attributed the Serb representative's walk-out to "election tactics" inside Serbia. He scorned the Bosnian Serbs for reacting to "something that has nothing to do with them" – a reference to a communiqué call for dialogue between Serbia and its Albanian majority in Kosovo.

But, embarrassed by the way the raising of the Kosovo issue allowed Serbs to steer the limelight away from the conference's decisions on Bosnia, Mr Kinkel said pressure for the conference to express concern on Kosovo had come from Robin Cook, UK foreign secretary, from the US, and even from Russia, as well as from Germany itself.

Mr Kinkel complained that Germany, in addition to all its refugees from Bosnia, had taken 140,000 asylum-seekers of Albanian origin from Kosovo, with 1,500-2,000 more arriving each month. These ethnic Albanians were "voting with their feet" against the situation in Kosovo. Referring to Slobodan Milosevic, the Yugoslav federal leader, Mr Kinkel said: "Let Milosevic help prevent this exodus, instead of ordering his representative to leave the room."

The Serb walk-out may set back any foreign mediation on Kosovo, though US officials predicted their behaviour over Kosovo would lead to tougher international action against them in Bosnia.

The event also created fresh awkwardness for Biljiana Plavsic, the relatively moderate Bosnian Serb president. After Momcilo Krajisnik, the Serb member of the collective Bosnian presidency, followed the Serb representative out, Mrs Plavsic told the conference she would try to persuade them both back. She failed, and did not return herself.

Carlos Westendorp, the international community's High Representative in Bosnia, called for accelerated efforts to consolidate peace, because "we are never going to be as strong as we are now" and the presence of Nato-led peace-keeping forces "is never going to be as massive as it is now".

Despite some earlier Russian reservations, the conference endorsed Mr Westendorp's intention to impose binding decisions in the many areas where the Bosnian communities fail to agree.

Mr Westendorp hailed preliminary agreement oo Monday by the three Bosnian co-presidents oo a new format for a common passport, a formula for commoo citizenship and a framework for the state's council of ministers. But, in case these preliminary accords fail to stick, ths conference communiqué maintained deadlines for the three deals.

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NEWS DIGEST

French inflation rate up to 1.3%

French headline inflation in November rose to 1.3 per cent *from* 1.0 per cent the previous month, according to Insee, the official statistics agency.

The modest rise was attributed to food prices and energy costs while underlying inflation remained stable. France is likely to complete the year with the annualised rate running at 1.3 per cent. Over the past 12 months France has enjoyed the most stable inflation rate in the EU. The November headline rate compares with 1.6 per cent at the same period last year.

Consumer prices in November were up 0.2 per cent after a flat October. Foodstuffs rose 0.6 per cent, mainly fresh produce. After a gas rise at the beginning the month, energy prices also increased 0.6 per cent. In contrast public services dropped 0.2 per cent because of air tariffs being lowered. *Robert Graham, Paris*

■ FININVEST INQUIRY

Berlusconi stays away

Silvio Berlusconi, the leader of Italy's centre-right opposition, did not comply with a request from Milan prosecutors to appear yesterday for questioning as part of a corruption investigation, his lawyer said.

Mr Berlusconi was summoned for questioning in the morning by the Milan prosecutor's office, his lawyer, Ennio Amodio, said.

Prosecutors are trying to demonstrate that Fininvest, the Berlusconi-owned holding company, paid billions of lire to Rome judges in order to obtain favourable sentences in trials affecting Fininvest's businesses. Investigated parties must be summoned for qnestioning by law before the close of an investigation. The investigation is in its final stages. No charges have been brought against Mr Berlusconi, although he was found guilty last week of separate charges relating to false accounting. *Reuters, Milan*

■ EU MILK QUOTAS

Italy and Spain accused

The European Commission said yesterday it would take legal action against Italy and Spain over their failure to collect fines from farmers producing too much milk.

"The European Commission has decided to open infringement proceedings against Italy and Spain with regard to the failure of these member states to ensure the satisfactory operation of the milk quota regime," it said in a statement.

Franz Fischler, farm commissioner, warned that failure by EU members to respect the rules jeopardised the respect the samé legislation was given in other countries. "Given that the milk quota regime has been in operation since 1984 it is quite unacceptable that 13 years later it is still not being correctly applied," he said. The Commission said its main concern was the failure by Italian and Spanish authorities to collect the super levy, which is a fine imposed on farmers prodncing over their quota.

It said it had already reduced advance payments from the 1995-96 farm budget to Italy and Spain and would do the same for ths 1996-97 period. *Reuters, Brussels*

■ STATE AID

Brussels probes Buna cash

The European Commission yesterday reopened an investigation into a massive state aid payment to Buna, one of the largest complexes of the former east German chemical industry, at the time of its privatisation in 1995. Some DM9.5bn ($5.3bn) of aid was paid to the company which then employed 68,500 people.

Brussels fears that amendments to the original privatisation contracts lead to increases in capacity which go beyond the plan approved by the Commission last year, and in 1996. Brussels also fears that new energy contracts signed by Buna contain extra state aid.

Buna was acquired by Dow Chemical, the US company, which was the only bidder to present a sound plan for a complete restructuring of the company, retaining 2,200 workers. *Emma Tucker, Brussels*

■ SWISS PRESIDENT

Cotti in chair for 1998

Flavio Cotti, 58, Switzerland's minister of foreign affairs, has been elected president for s one-year term from January 1.

The president, chosen annually to chair meetings of the seven-strong Federal Council, has had a largely ceremonial role in the past. But the job has had a higher profile with ths increasing criticism of Switzerland's role in the second world war and the country's increasing isolation in Europe.

This has led to increasing debate within Switzerland about whether the powers of the presidency should be strengthened and the term extended from one year to four. However, any changes on this score are unlikely to effect Mr Cotti's presidency, which will be dominated by the celebrations of the 150th anniversary of the constitution.

Ruth Dreifuss, 57, the Socialist home *affairs minister*, was elected vice president and, provided Switzerland does not change its current system will become the first female head of state next year. *William Hall, Zurich*

■ RUSSIAN CRIME

$10m hijacker arrested

Russian security forces yesterday arrested a lone hijacker and released 142 passengers who were unaware of the hijack until they left the aircraft.

"Everyone is safe and sound," Gennady Zaitsev, head of Russia's Federal Aviation Service, told reporters at the Sheremetyevo-1 airport in Moscow, where the airliner landed.

The hijack suspect, Gennady Todikov, 59, seized the Ilyushin-62 early in the morning after it took off from Magadan in the Far East en route to Moscow with 142 passengers and eight crew members on board.

The deputy interior minister, Pyotr Latyshev, told parliament later in the day that the hijacker delivered a letter signed by three passengers demanding $10m and a written guarantee to take them to Switzerland and grant them political asylum there. He was armed only with a fake bomb, police said. *Reuters, Moscow*

■ GERMAN POLITICS

FDP must repay funding

The German Free Democratic party, the junior member of Chancellor Helmut Kohl's ruling coalition, was hit yesterday by a court ruling ordering it to repay DM10.5m ($5.9m) of the state aid it received for last year. The party responded immediately by announcing plans for an appeal hut Hans-Rolf Goebel, party spokesman, warned the ruling could severely disadvantage the party in the run op to next September's federal elections.

The ruling followed mistakes in the application process. If upheld, the decision would make a big dent in campaign funding although the repayment could be funded out of future income.

It comes at an difficult period for the FDP, with opinion polls suggesting it may fail to win the 5 per cent of snpport needed to gain places in the Bundestag, the lower house of parliament. *Ralph Atkins, Bonn*

NEWS: EUROPE

Government gives itself room for manoeuvre by leaving detail to new round of legislation in two years' time

Paris approves draft bill for 35-hour week

By Robert Graham in Paris

France's Socialist-led government yesterday approved a draft bill introducing a 35-hour working week in the year 2000 for private-sector companies employing more than 20 people.

The controversial proposal, opposed by the Patronat employers' federation, was criticised by President Jacques Chirac after he had chaired the cabinet meeting endorsing the bill. But the government has left room for manoeuvre by leaving much of the detail to a second round of legislation in two years' time.

Yesterday's draft will be debated by parliament in mid-January. Compared with initial proposals discussed in October, when the government decided to go ahead with the project, concessions have been made to the problems of small businesses.

Originally, all private companies employing over 10 people were expected to cut the working week from 39 to 35 hours in the year 2000. Those smaller than this would have until 2002.

The government's decision to broadan the scope of those exclnded from early introduction of the scheme means some 1.8m companies employing over 35 per cent of the workforce will have until 2002 before they have to comply. But, in parliament, the left will press to reduce those excluded, to companies employing 10 people and less.

The draft proposes encouraging companies to move to the 35-bour week by paying a sliding scale incentive based on lowering levels of social security outlays. Those who begin in 1998 will receive the equivalent of FFr9,000 ($1,510) per employee in the first year if they reduce working hours by 10 per cent and boost the workforce by 6 per cent. The incentive is greater if the reduction is bigger.

Over the next four years the incentive drops to FFr5,000. Equally, those beginning the scheme late will receive less, and nothing if they have agreed no work reduction by 2,000.

Key rules for fixing overtime payments, the essential extra cost for employers, have been left until the second law. This is likely to be 25 per cent extra per bour. Leaving ont this element allows flexibility in talks between employers, unions and government.

Despite the opposition of the Patronat, which claims costs could rise by 11 per cent as at the year 2000, the government hopes the scheme will allow businesses a chance to introduce more productive and less rigid working arrangements. Of late, ministers bave begun to play down the impact on job creation

The proposed law side-steps whether employers can reduce effective pay in return for cutting work hours and taking on more staff. Employers will be able to average out the number of hours worked over the year. Public sector employees are excluded from the proposed law, largely because the state cannot afford to take on more personnel.

Danish survey forecasts surpluses

By Hilary Barnes in Copenhagen

Denmark will enjoy a surplus on both the current account and the general government budget fiscal balance for the first time since 1963, Marianne Jelved, minister for the economy, predicted yesterday when presenting a new government economic survey.

The budget is now expected to show a surplus this year, for the first time for 10 years, of about 0.6 per cent of GDP, rising to 2.2 per cent of GDP in 1999.

The current account, which has been in surplus since 1989 after 26 consecutive years in deficit, will narrow to 0.5 per cent of GDP from 1.5 per cent in 1996.

The government has not allowed the crisis in the East Asian economies to cloud the outlook for the next two years, when it expects that GDP growth will be about 2.7 per cent and 2.5 per cent respectively.

The economy has grown at an average 3.2 per cent between 1994 and 1997, with a growth rate of 3 per cent predicted for the current year. The boom has cut the unemployment rate from 12 per cent in 1993 to 7.7 per cent this year and a predicted 7.1 per cent in 1998.

But it is also taking its toll of the current account surplus. With exports for the first nine months of the year at DKr237bn ($35bn) and imports at DKr216bn, the trade surplus has narrowed to Dkr22.1bn compared to DKr26bn in the same period last year.

While the government's economic forecast for next year is close to the consensus view, economists were expecting rather better trade figures. Anne Buchardt, an economist at Unibank, said: "These were disappointing figures. We expected a better trade balance. It looks as if the current account balance may be close to zero for the full year".

Ukraine will be 'forced' to make reforms

By Charles Clover in Kiev

Ukraine's financial situation is so bad that the government must carry out reforms or face economic collapse, Serhiy Tyhypko, the reforming deputy prime minister, said yesterday.

"Our extremely difficult financial situation is an excellent foundation for serious economic reforms," he told a Kiev economic forum. "Nobody implements reforms of their own will... Everything is pushing us toward reforms today."

He said the government had to cut its expenditures drastically, get rid of burdensome regulations, lower taxation, and above all, privatise. "If we can manage, in the course of two or three months, to untie the hands of business, in six months business will stand up and help us."

His comments came amid mixed news on the financial front. As interest rates edged up to 44 per cent in a treasury bill auction, Dmytro Rikberg, national bank spokesman, said that the Lombard borrowing rate would be raised from 37 per cent to 45 per cent tomorrow to defend Ukraine's currency, the hyrvna.

Meanwhile, a deal with Merrill Lynch to place hundreds of millions of dollars worth of Ukraine's treasury bills may be revived. Last week the IMF had objected to the deal on the grounds that the instruments carried an exchange rate hedge.

The IMF appears not to have reversed its position, but Valery Pustovoitenko, the prime minister, yesterday asked Merrill Lynch to go ahead and place some $400m worth of the bills.

Alex Seippel, a managing director for debt capital markets at Merrill Lynch, said that his bank was in the final stages of approval of the deal, though it has not been signed. Mr Seippel named a figure of $250m for the placement.

"If we cannot get money on the external and internal markets, there's only one alternative: sell some state property," said Mr Tyhypko, "We must remember that the state needs money, and the state is a bad owner."

Yuri Hryshan, deputy chairman of the State Property Fund, added yesterday that Ukraine planned to issue government bonds next year which could be converted into shares of companies being privatised.

High-flying banker catches the eye

Finland's Sirkka Hämäläinen is becoming known for toughness

Sirkka Hämäläinen's name does not exactly trip off the tongue – unless you are Finnish – but it is being heard more and more in European high places.

The governor of the central bank of Finland is being talked of as a candidate for one of the top jobs on the six-member executive board of the European Central Bank, its powerful inner core.

Several EU officials even hold her in such high esteem that they look upon her as a possible compromise candidate for the ECB presidency itself if the Netherlands and France fail to reach a deal over their competing candidates. Among other EU central bankers who could be an alternative to Wim Duisenberg, the Dutch president of the European Monetary Institute, and Jean-Claude Trichet, governor of the Bank of France, she is considered the most promising.

Ms Hämäläinen regards the stand-off between the two leading candidates for the top job as unsavoury. "I think it's painful. It is a pity that we have this kind of situation. It can – I am not saying it does, but it can – have an effect on the credibility of the central bank. It would have been good to have been able to agree on the name of the president early enough because there are so many practical questions which are now important. So these questions should have been solved earlier."

It is not that European central bankers disagree on much that matters. They all have a dislike of inflation, a fondness for monetary targets and a suspicion of politicians. Ms Hämäläinen is no exception. In some respects she is tougher than most of her colleagues, having seen through the most painful monetary contraction and subsequent recession experienced by any EU country in the 1990s.

She says bluntly that the ECB, as a new central bank, will have to establish its credibility in financial markets without fear or favour, and without paying too much attention to politics.

"Central banks have to be medium-term oriented. And politicians very often just see the short term. The short term can be in very serious conflict with the medium term. And that's why I think it is very important the central banks are independent. Their task must be very narrow, but there they must have independence."

Hämäläinen: ECB must not shy from conflict — Mauritz Hellström

To succeed, the ECB must not shy from conflict, she says. Unpopularity is, after all, the fate of a central banker. "In all countries there is some kind of tension between the central bank and the government. It is always popular to reduce interest rates, and always unpopular to raise them."

Ms Hämäläinen is reticent about her own ambitions, but she has ambitions for the Emu project and for the euro, the future single currency. If the ECB succeeds in what it has to do the euro would end up as a strong and internationally important currency.

"Then the ECB will have to meet its responsibilities in the global environment," she says, emphasising the need for greater international co-operation among central banks.

While she expresses optimism about the ECB's success as a central bank, she is more concerned about fiscal policy and wage settlements under Emu. She is not yet persuaded by the greater degree of wage moderation during the last few years.

"Is this is a permanent change in behaviour or has it merely something to do with the high unemployment rate? If it is not permanent, then we will see a new difficult adjustmeot period."

Without sufficient fiscal discipline, she says, there will be higher interest rates.

Ms Hämäläinen is notably dismissive of the view that in their anti-inflationary zeal central bankers are fighting non-existing threats. While inflation rates have moderated throughout the world during the 1990s to an extent that some economists have even proclaimed inflation to be dead, she maintains it is "a phenomenon connected with human behaviour – you can never forecast precisely what human behaviour is going to be".

Having seen the results of erratic economic behaviour over the years, Ms Hämäläinen falls into the category of the archetypal conservative central banker.

Her main message is that central bank independence is not a theoretical concept enshrined in a treaty, but a principle that will be put to practical use. Such strong-willed determination – which she shares with most of her colleagues in other EU central banks – may not be fully appreciated everywhere in EU capitals.

Wolfgang Münchau

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NEWS: ASIA-PACIFIC

Anger at IMF terms may boost Korean opposition

By John Burton in Seoul

A public backlash against tough terms imposed by the International Monetary Fund's $57bn bail-out of South Korea could tilt next week's presidential election in favour of the main opposition candidate, who wants to renegotiate the controversial deal.

Private tracking polls conducted by the Korean media show that Kim Dae-jung, veteran centre-left opposition leader, has gained a narrow 5 percentage point lead over the government candidate, Lee Hoi-chang, in the close election campaign. Mr Kim's support is around 40 per cent.

Published opinion polls are banned for three weeks before the December 18 election.

Mr Kim, who was slightly trailing Mr Lee two weeks ago before the IMF deal was signed, has enjoyed a bounce in popularity as he criticised the IMF terms, which are expected to lead to growing unemployment as austerity measures threaten to close uncompetitive companies.

A victory by Mr Kim could further unsettle foreign investor confidence in Korea by increasing doubts about its commitment to implementing the IMF conditions, which many Koreans regard as a threat to their "economic sovereignty".

When Michel Camdessus, the IMF managing director, asked the candidates to submit a written pledge of support for the rescue package, only Mr Kim declined. He sent a letter instead to the government that he supported the agreement in principle but subject to further renegotiations.

Public anger about the nation's debt crisis and ensuing financial turmoil is working against Mr Lee, who has tried to distance himself from the unpopular administration of Kim Young-sam, who cannot stand again.

The majority centre-right vote that would normally ensure a victory for Mr Lee is being split by Rhee In-je, a young former provincial governor who bolted from the government party to mount an independent bid.

Mr Rhee, who has also criticised the IMF deal and called for its renegotiation, is enjoying a rise in popularity at the expense of Mr Lee, the only candidate to support the IMF agreement.

Analysts predict that if Mr Rhee gains more than 20 per cent of the vote, it would help throw the election in favour of Mr Kim, who is making his fourth presidential bid since 1971. The opposition has never won a presidential election since South Korea was founded in 1948.

Some analysts believe that Korea's normally conservative voters may still opt for stability and vote for Mr Lee. "Once they get into the voting booth, they could regard Lee as the safest choice in a time of national troubles," said a western diplomat.

Neither candidate has a background that would suggest a strong commitment to the radical market reforms demanded by the IMF.

Mr Lee, a former supreme court judge, is considered a quintessential member of the political élite that has longed ruled Korea's dirigiste economy, while Mr Kim would be expected to protect the interests of his core constituency, which includes trade unions, small businesses and farmers.

Lim Chang-yuel, Korea's finance minister, dismissed as election rhetoric the claims by Mr Kim that he would renegotiate the IMF terms if elected.

"There is no reason why international markets should worry if Kim becomes president. When I initially briefed the candidates about our request to the IMF, he immediately gave his full support to the proposal. I expect he will fulfil that commitment once the election is over," said Mr Lim in an interview.

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Rhee In-je (right), with party adviser and former presidential candidate Park Chan-jong AP

Vietnam donors to give stiff warning

By Jeremy Grant in Hanoi

When Vietnam's donors meet in Tokyo today to discuss official development assistance, they will issue stern warnings to Hanoi to reform, or risk economic decline.

Diplomats expect Hanoi will receive slightly over $2bn in concessional funding, just below last year's levels. Much of that will come from Japan which, for strategic reasons, wants to maintain commitments to Hanoi despite a 10 per cent cut in its worldwide aid.

But the fear is that Hanoi will also do as it has done before: listen politely and fudge the reforms. With the Asian economic crisis lapping at the fringes of Vietnam's deteriorating economy, analysts say that such a response could consign the communist-run country to years as a backwater.

"If they don't sort it out now, they may lose the next few years. There is a risk that slow change could be seen as no change at this point," said Tony Foster of Freshfields lawyers.

Foreign investment is sharply down on last year's levels and domestic savings are only 17 per cent of gross domestic product. Exports have been hit hard by regional devaluations.

Donors will be hoping the new prime minister, Phan Van Khai, has the muscle to push through recently proposed reforms that would help set Vietnam on a path to export-led growth and unlock fresh funding from the International Monetary Fund and World Bank.

They also want Hanoi to improve its aid disbursement record, which is the lowest in Asia. Jean-Pierre Verbiest, Asian Development Bank representative, said concessional funding would not last "for ever" and Hanoi should realise that it was subject to the fiscal constraints in developed countries.

Export surge increases pressure on Hashimoto

By Gillian Tett in Tokyo

Japan's exports surged in October compared with the same period last year but imports remained sluggish, further increasing political pressure on prime minister Ryutaro Hashimoto to boost domestic demand.

Continuing economic weakness has forced the government to announce another emergency package – the details of which are likely to be unveiled next week – and has led to sinking popularity ratings for Mr Hashimoto.

In a further sign of the government's concern about the economy, the Ministry of International Trade and Industry yesterday pledged to double the amount of government-subsidised loans available for small and medium-sized companies from Y6,000bn ($47bn) to Y12,000bn. The move reflects rising alarm that the recent banking turmoil could soon have a serious knock-on effect on the "real" economy, because banks are cutting credit lines to companies – which could trigger bankruptcies given the flat domestic demand.

The imbalance between Japan's imports and exports pushed Japan's politically sensitive trade surplus in October to Y1,277.6bn, 96.8 per cent up on a year earlier. The current account surplus rose 220.2 per cent on an annual basis to Y1,081.3bn, the seventh consecutive month of annual growth.

Some government officials hope a continued rise in exports this winter will help ease this pressure on industry, particularly since the yen has fallen below Y130 to the dollar to touch a five-year low this week.

While such falls have traditionally prompted protest from Washington, the US has been silent about currency trends recently. This has prompted some Japanese officials to suspect that some yen weakness – and more export growth – will be tolerated.

Nevertheless, if the export trend continues, it is likely to upset Washington, which has demanded that Tokyo take measures to stimulate domestic demand and reduce its massive trade surplus.

The ruling Liberal Democratic party is due to present its third package of proposals to boost the economy on Tuesday. This will cover tax reform, deregulation and measures to promote financial stability. Bureaucrats and politicians are still debating details of the proposals, including controversial suggestions that Y10,000bn worth of government bonds should be issued to support the financial sector. The suggestion is viewed with deep unease by the Ministry of Finance, and has provoked splits in the LDP. Some analysts fear this could delay any proposals.

Watchdog demands action over illegal payments to sokaiya

Daiwa and Nikko braced for penalties in gangster scandal

By Gillian Tett in Tokyo

Japan's financial watchdog yesterday called for penalties to be imposed on Daiwa Securities and Nikko Securities, the country's second and third largest brokers, over a recent racketeer scandal.

The Securities and Exchange Surveillance Commission (SESC) has asked the Ministry of Finance to punish the groups after it produced evidence they had made illegal payments to Japan's *sokaiya* racketeers – who blackmail companies by threatening to reveal embarrassing details at shareholder meetings.

The move is another blow to Japan's brokerage sector, which has seen investor confidence slump after Yamaichi Securities, the company's fourth largest brokerage, collapsed last month.

Details of the penalties are expected this month but analysts expect that they will be in line with those imposed on Nomura Securities, the largest broker, earlier this summer after similar findings. Nomura was fined and parts of the company's domestic business suspended for several months.

Some of these suspensions, such as an exclusion from Japanese government bond auctions, are still in force.

Nomura is the healthiest broker and analysts expect the group to rebound from the blow. The company's share of trading on the Tokyo Stock Exchange recovered to second position last month, in spite of the suspension of some business.

Some analysts fear that large penalties could hit Daiwa and Nikko harder because the groups are not perceived to have as effective an international reach as Nomura and could lose clients to foreign investment banks.

Some officials suspect this will persuade the Ministry of Finance to impose slightly lighter penalties, particularly because the amount of money involved in the Nikko scandal was smaller than at Nomura.

The SESC said yesterday that Nikko had made illegal trades of some Y29.5m ($232,200) in 1994 and 1995 by mixing up client and proprietary trading in its books. The proceeds of this were then passed to Ryuichi Koike, a well known *sokaiya*.

Daiwa made similar trades of some Y354.8m between 1992 and 1995, the SESC said. This is thought to be similar to the amount of money involved at Nomura.

Officials admitted that the government would almost certainly be forced to implement some penalties, especially as the Japanese public has been deeply critical of the government's failure to act over the brokerage scandals.

In addition to the *sokaiya* scandals, it has also emerged that Yamaichi had Y260bn of hidden *tobashi* losses, or losses which are concealed by shuffling between accounts.

Daiwa's share price has recently fallen amid rumours the group also has such losses. The company strongly denies this.

NEWS: WORLD TRADE

Brussels copyright proposals under fire

By Emma Tucker in Brussels and Alice Rawsthorn in London

The European Commission yesterday unveiled its long-awaited draft directive to harmonise European Union rules on copyright in the information society – amid a barrage of criticism from industry.

The legislation aims to ensure fair treatment across the EU for products and services containing intellectual property, whether distributed online, or on digital carriers, such as CD-ROMs, and DVD-Video. Adoption of the law would allow the EU to meet many of its international obligations under the new World Intellectual Property Organisation (Wipo) treaties.

Mario Monti, the single market commissioner, described the proposals as striking "a fair balance between the divergent and often conflicting rights and interests concerned".

However, the draft directive immediately came under fire from the entertainment software sector. The International Federation of the Phonographic Industry (IFPI), which represents record companies, claimed one loophole would facilitate the sale of devices to record encrypted digital music signals.

Record companies also criticised the Commission's failure to harmonise home copying legislation. "This is an extremely flawed document, at a time when we are moving towards really substantive changes in the way our business is conducted," said Rick Dobbis, president of PolyGram's record companies in continental Europe.

The main elements of the draft directive, which could be significantly amended in its final form, include:

- Granting authors, performers, record and film producers and broadcasters an exclusive right to authorise or prohibit copies of their works. This clause recognises the fact that when distributed digitally, films and music can be copied perfectly, making them more vulnerable to piracy.
- An exemption is made for certain technical acts of reproduction dictated by technology, but with no economic significance, such as copies made by computers during transmission. However, member states remain free to devise their own rules for home copying. At present, some countries impose levies on blank tapes and video recorders to compensate rights holders.
- Authors will be granted a general exclusive right to authorise or prohibit any online distribution to the public of originals or copies of their work. Exceptions can be applied in teaching and scientific research, use by visually or hearing-impaired people, quotations for *criticism or review*, and use in judicial procedures.
- Member states will be required to provide adequate legal protection against illegal copying by banning production and sale of devices designed specifically to circumvent encryption technology. But the IFPI claims this rule should be tighter.

The proposals do not touch the controversial issue of who will be liable for breaches of copyright. This issue, of particular concern to online service providers such as telecom companies, will be dealt with in a directive next year examining all *aspects of liability including* defamation, privacy, pornographic or racist content, and copyright infringement.

NEWS DIGEST

WTO offers presented

Thailand and India yesterday presented their offers in World Trade Organisation talks to liberalise global financial services markets due to end tomorrow. Seven countries promised to table new or improved offers by today. They are Bolivia, Colombia, Honduras, Indonesia, Malta, Romania and El Salvador.

Japan also said it was ready to improve its offer by scheduling in the WTO three bilateral agreements on liberalisation of its banking and insurance markets that it had previously concluded with the US.

The European Union told an informal meeting of negotiators that the talks were on a "razor's edge". The US said it was prepared to continue negotiating through the night in an effort to get other countries, particularly developing economies, to improve their offers further. Some US industry representatives have been disappointed by the offers from east Asia, which they feel do not go far enough. *Frances Williams and Guy de Jonquières, Geneva*

■ MEXICO-EU TRADE

Talks planned on free trade

Herminio Blanco, Mexico's trade and industry minister, said yesterday that detailed negotiations with the European Union on a free trade zone could start as early as March.

On Monday, Mexico and the EU signed a co-operation agreement that constitutes the legal and political basis for trade negotiations next year. Mr Blanco said the agreement would be sent to the Senate in January and should receive assent by the European Parliament three or four months later.

The growth of trade with North America has hit Mexico's share of trade with the EU, although EU-Mexico trade has risen in absolute terms. While bilateral trade reached $11.2bn last year, the EU's share in Mexico's total trade dropped from 11.4 per cent in 1994 to 6.1 per cent last year. Similarly, the share of Mexican imports in the EU market has dropped from 15 per cent at the start of the decade to less than 9. *Adrian Michaels, London*

OECD Export Credit Rates

The Organisation for Economic Co-operation and Development announced new minimum interest rates (%) for officially supported export credits for December 15 1997 to January 14 1998 (November 15 to December 14 in brackets).

D-Mark	6.09	(6.13)
Ecu	6.01	(5.91)
French franc	6.18	(6.18)
Guilder		
up to 5 years	5.90	(5.95)
5 to 8.5 years	6.25	(6.30)
over 8.5 years	6.65	(6.75)
Italian lira	5.73	(5.82)
Yen	2.10	(2.10)
Peseta	6.37	(6.39)
Sterling	7.82	(7.62)
Swiss franc	4.65	(4.50)
US dollar		
up to 5 years	6.78	(6.84)
5 to 8.5 years	6.80	(6.93)
over 8.5 years	6.90	(7.05)

These rates are published monthly by the Financial Times, normally in the middle of the month. A premium of 0.2 per cent is to be added to the credit rates when fixing at bid. Interest rates may not be fixed for more than 120 days.

Multinationals maintain their faith in Asia

By Elizabeth Robinson in London

Most US and European multinational companies with sales or factories in Asia have shrugged off the recent currency turmoil and are committed to the region and their investment goals.

A survey by Renaissance *Technomic, the US manage*ment consultants, of the regional managing directors of 35 large multinationals found that, while one-third considered the region to be less attractive since the currency crisis, 79 per cent were not planning to change their strategy.

The findings are in contrast to a survey in 1994 of large companies exposed to Mexico in the wake of the peso's devaluation. Steven Ganster, managing director of Renaissance's Asian consultancy, said: "With Mexico, more companies said: 'We have to cut our overheads, sales forces and operating costs to minimise the damage'."

The survey of companies operating in Asia, including ICI, BASF and Hoechst from Europe, and General Motors, Tenneco and Dow Chemical of the US, found that only around 15 per cent felt significantly worse off because of the regional crisis. This group included companies such as Whirlpool of the US which have no local plants and whose only exposure to the region was as importers of their own products manufactured elsewhere.

Manufacturers with local plants felt the devalued cur*rencies offered opportunities* to integrate their operations further through the buyout of dealers or distributors or the purchase of greater stakes in joint venture partners. A small group felt themselves in a stronger position post-crisis.

Some 14 per cent foresaw stronger sales in 1998 and the same proportion expected increased rates of return. The beneficiaries were mainly exporters from the region who expected that the devalued currencies would lead to increased shipments, offsetting tighter margins.

Some 60 per cent of the executives questioned believed the currency instability would last until the end of 1998 or beyond, with Thailand expected to undergo the longest period of instability. Most believed it *would take three to four* years for the region to recover to pre-crisis levels.

False shoe labels worry EU

By Jeremy Grant in Hanoi

European Union customs authorities are concerned that a growing slice of Vietnam's burgeoning shoe exports to Europe is being falsely labelled, with manufacturers from third countries masking their source with Vietnamese certificates of origin in a bid to dodge tariffs.

"There is an increasing suspicion and in some cases documented evidence that shoes that are labelled as being from Vietnam are in fact from elsewhere," said one EU official.

He said customs offices in member state countries needed to gather more information before coming to firm conclusions but it appeared that many of the falsely labelled shoes are being made in China.

Customs officials are concerned because the development appears to be undermining efforts to stem a recent flood of cheap Chinese shoe imports, which are putting pressure on European manufacturers. Chinese shoes are subject to quotas and certain types of shoes are subject to anti-dumping duties.

Exporters in East Asia are allegedly obtaining certificates of origin issued by the Vietnam Chamber of Commerce and Industry (VCCI) asserting that the goods are made in Vietnam, whose shoe exports are free of EU quota restrictions.

However, Pham Chi Lan, VCCI secretary general, said Hanoi had never issued certificates of origin for Chinese products and maintained strict internal controls on the process.

"We only issue them to the manufacturers of shoes. With the traders we've always been very careful," she said, adding that any false certificates could only be forgeries.

Vietnam's shoe exports are growing rapidly. It exported Ecu500m ($560m) worth of shoes to the EU last year – mostly non-leather sports shoes and rubber-soled, canvas topped beach shoes – accounting for around 40 per cent of all Vietnamese exports to the EU. Brussels expects this year's exports to reach Ecu800m, a rise of about 30 per cent.

Global value of exports topped $5,000bn last year

World trade in goods up 5%

By Frances Williams in Geneva

World trade in goods grew by 5 per cent in volume terms last year, slightly below the average for the five previous years, but appears to have accelerated again in 1997, according to the World Trade Organisation.

Giving his annual overview of developments in the international trading system to WTO members, Renato Ruggiero, WTO director-general, said yesterday that 1997 *would have been "a good year for trade"*.

Though he gave no estimates, he said both world trade and output were likely to be higher this year than in 1996, when they rose by 5 per cent and 2.5 per cent respectively.

However, Mr Ruggiero warned that east Asia's financial crisis could lead to an expansion of exports from the region and a slowing in import demand in the coming year. He urged other WTO members "to show understanding" and appealed to east Asian governments not to reverse economic liberalisation which, he said, could *inhibit* longer-term recovery prospects.

According to the WTO, 1997 has already seen a narrowing of regional differences in economic performance, with slower though still strong growth in east Asia, continuing rapid growth in Latin America, and stronger economic activity in western and eastern Europe compared with 1996.

The overall improvement in economic performance will spill over into improved real export growth for 1997, the WTO says, though the value of exports may grow more slowly because of the continued appreciation of the dollar.

In 1996 dollar appreciation, and lower prices for some commodities and semi-manufactured goods, lowered the growth by value of world merchandise trade to only 4 per cent. Nevertheless, the total value of exports topped the $5,000bn mark for the first time, at $5,120bn.

Exports of commercial services grew by 5 per cent in value terms last year to reach $1,260bn. This was well down from the 14 per cent growth recorded in 1995, though much of the difference is accounted for by the rise in the dollar.

Commercial services trade rose particularly fast in Latin America and Asia, up by 8 per cent last year.

Take nuclear weapons off alert, study urges

By Bruce Clark in Washington

Nuclear weapons are likely to be used sooner or later, either by accident or deliberately, unless they are eliminated, according to a panel of senior figures in the foreign-policy world who spent three years analysing the sources of international conflict.

The study, co-chaired by Cyrus Vance, former US secretary of state, called on the five nuclear powers to take their weapons off alert and dismantle them.

"The proposition that nuclear weapons can be retained in perpetuity and never be used – accidentally or by design – defies credibility," said the report by the Carnegie Commission on Preventing Deadly Conflict. The report was the latest in a series of warnings by defence experts from all parts of the political spectrum that the US administration has become complacent about a risk of nuclear explosions which may be rising rather than falling.

Three senior US experts wrote in the journal Scientific American last month that "the systems built to control Russian nuclear weapons are now crumbling" because of poor morale and training in the Strategic Rocket Forces and the failure of radar systems that detect incoming missiles.

This highlighted the risks posed by the high-alert status of most US and Russian missiles, which meant the two superpowers remained ready to fire "more than 5,000 nuclear weapons at each other within half an hour".

General Lee Butler, a former head of the US Strategic Air Command, has suggested removing the guidance mechanisms from nuclear weapons so the decision time in a nuclear stand-off would be increased from 15 minutes to 150 hours. Hawkish US commentators have drawn attention to signs Russian military doctrine is placing increased emphasis on nuclear weapons as its conventional arsenal deteriorates.

The doors of the arcane and secretive world in which US nuclear policy is formulated were briefly opened this week when senior officials leaked a presidential directive laying out a change in nuclear-weapons doctrine. It is reported to renounce the cold-war theory the US must be able to prevail in a protracted nuclear war, while broadening the purpose of nuclear weapons to include retaliation for chemical or biological attacks.

Joseph Cirincione of the Henry Stimson Center, a disarmament lobby group, said the directive's cautious tone showed policy was formulated by "mid-level officials from the Reagan era" with little effort from the Clinton administration to promote new thinking.

'Preventing Deadly Conflict', available at 1779, Massachusetts Ave NW, Suite 715, Washington DC 20036

Pope to Castro: Don't be Scrooge

By Pascal Fletcher in Havana

Six weeks before the arrival of Pope John Paul II on his first trip to Cuba, President Fidel Castro faces the choice of casting himself as either Father Christmas or Scrooge.

The 71-year-old Cuban leader must decide whether to grant a personal request from the pontiff for the return of Christmas as a national public festival on the communist-ruled Caribbean island.

Cuba stopped officially celebrating Christmas more than two decades ago when its communist rulers decreed the holidays interfered with work on the strategic sugar harvest.

Catholic Church leaders are still hoping the Cuban president will accede to the papal request as a goodwill gesture for the pope's visit on January 21-25. An employee at the ruling Communist party's office of religious affairs said no decision had been taken yet.

In recent years, once-hostile relations between the government and the church have significantly improved and Christians can celebrate Christmas in their homes. But Christmas has remained a normal working and school day in Cuba.

In 1995, the authorities banned Christmas trees or decorations from state offices and institutions; last year a session of the island's National Assembly was held on Christmas Eve.

Scruffy sites will be transformed into monuments to the resurgent city's artistic and sporting pride

Los Angeles builds its cultural ambitions

The elements of the cultural and civic revival under way in Los Angeles are there for everyone to see. Yon just have to look harder for some than others.

The unfinished car perk near the downtown Music Center does not look much, but within five years it will be topped off with a $200m-plus Frank Gehry-designed concert hall dedicated to Walt Disney.

At around the same time a scruffy site next to the nearby convention and exhibition complex will have sprouted a stylish sports arena, glorifying the name of its sponsor, the Staples office products chain, and showcasing the talents of the Lakers basketball and Kings hockey teams.

The spaces in between will be filling up with a new cathedral designed by Spain's Rafael Moneo, a music school, and, it is hoped, hotels and entertainment facilities.

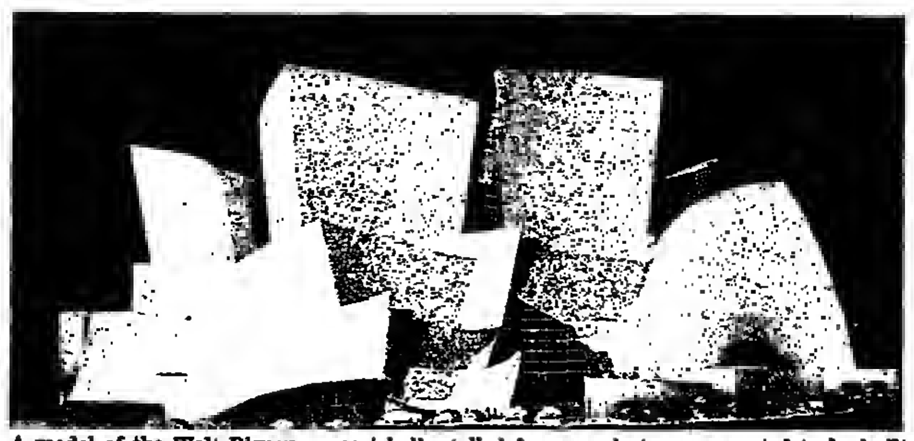
Today, the Getty Center, a $1bn fine arts and educational institute, shines in just-completed splendour on its west-side hill: less than two years ago, it was the only assured addition to the LA landscape.

Then, the centre was still widely suspected as a product of *folie de grandeur* in memory of the eccentric oil billionaire, J. Paul Getty, whose legacy paid the bills. At best, it was seen as a stronghold for artistic traditions that had few LA roots.

Even a few months ago, David Geffen, one of LA's top pop culture gurus and partner in the DreamWorks stndio, said the Richard Meier design, its classical contents, and ambitions to cultivate the city were "too good" for unappreciative low-brow Angelenos.

But by dint of much propagandising, the Getty – which opens next week – has been transformed in the public perception into a symbol of LA's cultural renaissance.

The Getty's newly announced links with the World Bank, to help preserve the cultural edifices and traditions of the third world, testify to its good intentions. Progress in the resurrection of the city centre bears witness to the institute's good influence.



A model of the Walt Disney concert hall, stalled for years but now expected to be built after a $25m Disney donation AP

Rattling off a tally of the cultural and civic reconstruction works under way in LA, Michael Eisner, Walt Disney chairman, with some justification last week proclaimed the city the "most active" in the US. Mr Eisner was announcing his company's $25m donation to the fund for the Walt Disney concert hall – a project endowed 10 years ago with $50m from Walt's widow bnt until last week shunned by the group – which virtually assures its completion.

Running down the list of corporate sponsors, most joining the project in the past 18 months, Eli Broad, chief fund-raiser over that time, said the new concert hall and nearby sports arena would bring 5m people to the city centre annually. The economic impact of the Disney building alone on downtown is estimated at about $1.6bn over 10 years.

But Mr Broad appeared less interested in the economics than in the broader significance of his project. It represented, he said, "the first time business has rallied together to do something for the public good".

Zev Yaroslavsky, chairman of the LA board of supervisors, had a similar message. Mr Broad, chairman of the $43bn SunAmerica investment gronp, had taken on the hall funding drive "when no one gave it a chance". The upshot had been the rebirth of "corporate involvement on a meaningful scale".

Until last week, Disney sat idly by while the hall teetered on the brink of failure with only the car park built. But Mr Eisner's offering brought the total to within 20 per cent of the sum needed to complete the job, and was enough to encourage Mr Broad to predict an inaugural concert in 2001.

Disney's marketing instincts may have had an inflnence, given the reviving interest in matters cultural generated by the Getty Center, and a reviving feeling of city optimism last detected at the time of the 1984 Olympics.

This "feel-good" factor was apparent at a regional economic summit last month, when political, academic and business leaders collaborated in an unusual programme to prepare an action plan to bolster job growth.

Jack Keyser, chief economist at the Los Angeles Economic Development Council, recalled the days before the recession, when growth and progress were taken for granted.

"No one worried. If a company went under, there was always another one. Then after the recession, when the jobs didn't come so easily, it was every man for himself. Now people are realising they have to work together if anything is to happen."

Christopher Parkes

NEWS DIGEST

Caracas move to oust minister

Luis Raúl Matos Azócar, Venezuela's finance minister, is facing an attempt by opposition congressmen to oust him from office, for the second time in a month.

Tomorrow Congress will begin hearings over Mr Matos' involvement in an allegedly fraudulent 1995 payment over a government contract. Opposition parties have proposed a censure and removal of Mr Matos from office in a no-confidence vote.

They allege that Mr Matos, architect of the economic reform plan, though not finance minister at the time of the contract, could have prevented an allegedly fraudulent payment of $9.5m in what they say is a swindle involving an Italian company contracted by the Venezuelan military.

The outcome of the new vote will depend largely on the social democratic Acción Democrática (AD) party, which backed Mr Matos in last month's vote. The charges are widely seen as a far-fetched attempt to discredit Mr Matos and the achievements of the government's economic reforms as the campaign before next year's presidential elections heats up. *Raymond Colitt, Caracas*

■ PUERTO RICO

Newspaper sues governor

Puerto Rico's largest circulating newspaper is suing tha island's governor for what it says is an attempt to stifle press freedom, and is seeking compensation for losses it claims it suffered after the government canceled advertisements in the newspaper.

Antonio Luis Ferre, editor and publisher of El Nuevo Dia, said the government cancelled advertisements in tha newspaper in April after it carried a series of articles alleging corruption in the administration. The newspaper is claiming $6m in lost revenues.

However, Pedro Rossello, the governor, contends that the advertising was stopped because of budgetary constraints. He said he welcomed the suit "because I want the people to be aware of what's being discussed here". *Canute James, Kingston*

■ CURRENT ACCOUNT DEFICIT

US sales overseas fall

Weakening overseas sales drove the US current account deficit, the broadest measure of the nation's trade performance, to its highest level in a year during the third quarter, the Commerce Department said yesterday.

The recent Asian currency crisis is expected to increase pressure sharply on the US trade deficit in coming months as Asian trade partners try to boost sales to the US while buying fewer American products.

In the three months from July to September, the deficit widened 11.4 per cent to $42.16bn from $37.85bn in the second quarter – its highest level since $42.83bn in the third quarter of 1996. *Reuters, Washington*

■ PANAMA ELECTRICITY

Restructuring plan approved

Panama's state electricity company is on course for privatisation next year after approval of a restructuring plan. The generating and distributing operations of the Instituto de Recursos Hidraulicos y Electrificación (IRHE) monopoly will be separated. Private investors will be invited to bid for 51 per cent stakes in three new regional distribution companies and in a thermo-electric generating company, and for 49 per cent stakes with operating control in three hydro-electric generators.

The electricity sector is estimated to need investment of $1.5bn in 10 years to meet demand. IRHE, which is valued at about $1bn, has appointed the International Finance Corporation, a private-sector arm of the World Bank group, to handle the sale. *James Wilson, Panama City*

■ CHILE POLLS

Centre-left looks set to win

Chile's 8m voters go to the polls today to elect all 120 members of the lower house, and 20 of the 38 elected senators. The opinion polls forecast a solid majority, between 53 and 55 per cent of the votes, for the centre-left government coalition, known as the Concertation for Democracy. *Imogen Mark, Santiago*

Pilots condemn Argentine air safety record

By Ken Warn in Buenos Aires

Safety in Argentina's airspace is "critically deficient", according to Latin American and Caribbean airline pilots meeting in Buenos Aires, following a series of near-collisions and other incidents this year.

The regional meeting of the International Federation of Airline Pilots' Associations (IFALPA) yesterday forwarded the resolution to the federation's annual conference in Montreal in April.

Confirmation of "critically deficient" or "Black Star" status, the lowest category in IFALPA's classification system, could prove highly embarrassing for ths government of President Carlos Menem and might affect the country's fast-growing tourism industry.

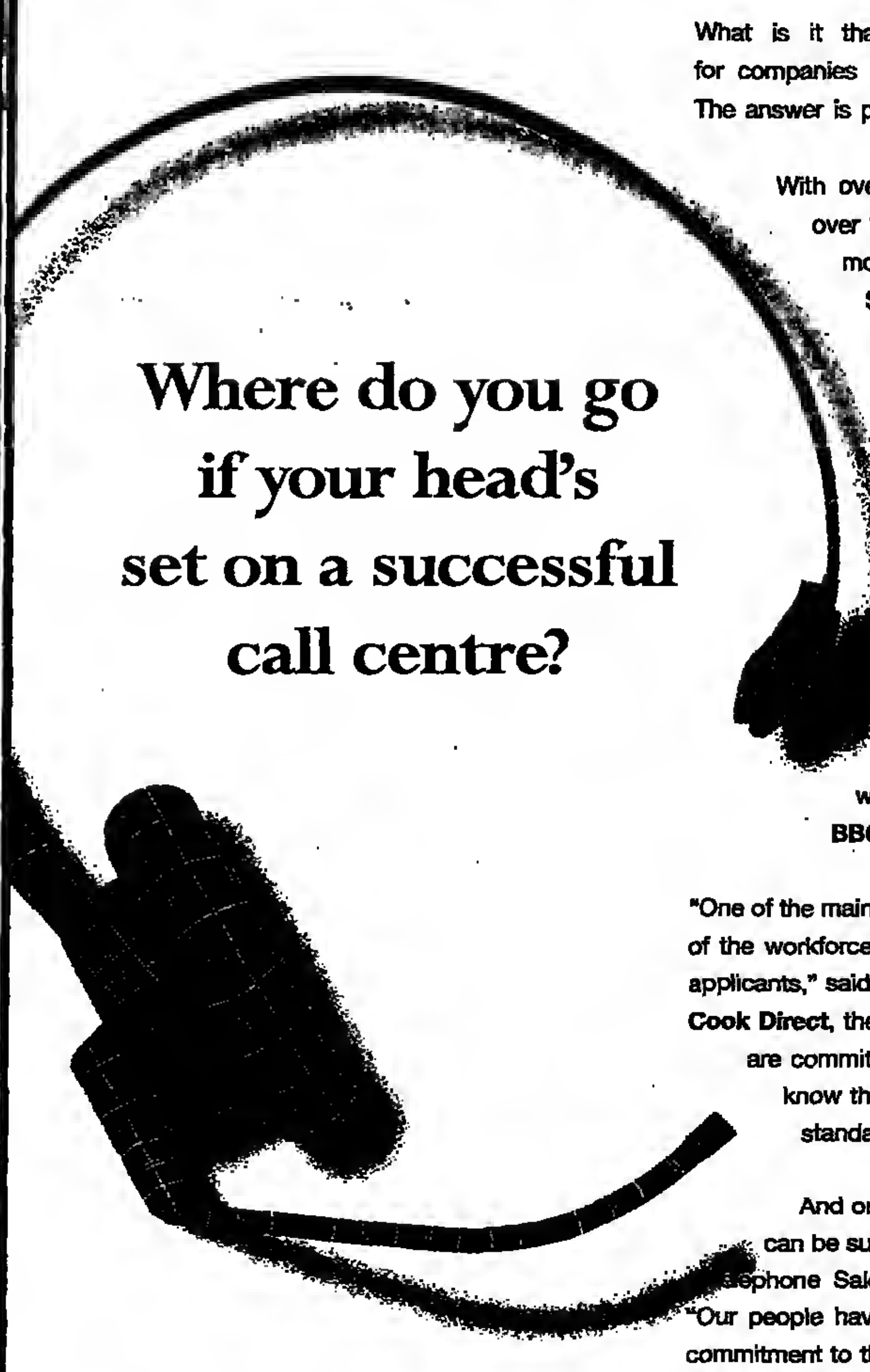
"The near-misses and other problems point to alarm bells ringing," said Rob McInnis, IFALPA president. "Something must be done on an urgent basis."

Air traffic control, industry regulation and safety oversight remain under the control of the Argentine military, a source of constant friction with local civilian pilots. This week pilots blamed communications problems with control staff for a near-collision in October between two Brazilian airliners near Ezeiza international airport, the 21st such incident reported this year. Earlier the same month an Austral airline DC-9 crashed in bad weather on a domestic flight, killing all 79 people aboard.

"Argentina should have an independent, competent well funded safety management structure under the charge of safety professionals," said Mr McInnis. "It could be funded from overflight, landing and other fees." At present these revennes are absorbed into the military budget.

The air force maintains that it is spending more on safety and upgrading infrastructure. But pilots complain that when problems arise, the military is more eager to assign blame than to root ont structural problems. Industry analysts say morale among air safety professionals is low.

The Argentine Airline Pilots Association yesterday unveiled a confidential reporting system under which pilots and other workars in the industry could report safety problems anonymously without fear of retribution.



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LOCATE IN SCOTLAND

Vietnam donors to give stiff warning

By Jeremy Grant in Hanoi

IMF hopes for backing on new loan facility

By Robert Chote, Economics Editor, in London

The International Monetary Fund is hoping to win approval in the next few days for a new lending facility for countries facing financial crises, but some officials fear developing countries could block it.

The IMF board is expected to discuss the proposed Supplemental Reserve Facility tomorrow and Monday.

It will provide a formal arrangement under which the IMF can lend relatively large sums, but over short periods and at higher-than-normal interest rates.

The facility would offer loans on relatively short maturities of two to three years. The interest rate would be between 3 and 4 percentage points above the IMF's normal lending rate, which at present stands at about 4.7 per cent.

The loans would be available to emerging market countries which are facing capital outflows and crises of confidence, allowing them to replenish their reserves.

There will be no formal access limit, relative to a country's quota or shareholding in the Fund.

The IMF management wants the facility in place in time for the next disbursement of its loan package to South Korea. The Korean authorities have already agreed in principle to take money under the terms of the new facility.

The facility is expected to win widespread support among IMF directors. It is backed by the Group of Seven industrialised nations and also by the Asian countries that were represented at the recent finance ministers' meeting in Manila, where it was discussed.

However, the use of short maturities means that the facility will need 85 per cent approval by members of the IMF board. A similar proposal was defeated in the board last year, creating nervousness in some quarters that this scheme could meet a similar fate.

Other officials argue, however, that the supplementary nature of the new facility should meet the objections of opponents to the earlier version. The loans will have the same policy strings attached as the Fund's longer-term lending.

They were inspired by the terms which had been imposed on Mexico when Washington lent money following the financial crisis of 1994-95.

An 8 percentage point surcharge encouraged Mexico to repay its loans to the US unexpectedly early.

IMF analysis, Page 11

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NLA NEWSPAPER LICENSING AGENCY

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

½ hour period ending	Provisional Price for Trading on 11.12.97: Pool purchase price £/MWh	Final Prices for Trading on 10.11.97: Pool purchase price £/MWh	Pool selling price £/MWh	TS use of system price £/MWh
0030	18.82	18.63	18.93	1.18
0100	19.86	18.63	18.63	1.18
0130	21.58	19.83	19.83	1.18
0200	21.58	18.63	18.63	1.18
0230	21.58	19.83	19.83	1.18
0300	21.58	19.83	19.83	1.18
0330	21.58	21.29	21.29	1.18
0400	21.58	21.29	21.29	1.18
0430	21.58	18.63	18.63	1.18
0500	10.51	10.47	10.47	0.00
0530	10.51	10.46	10.46	0.00
0600	18.45	10.46	10.46	0.00
0630	19.51	10.47	10.47	0.00
0700	23.15	23.72	23.72	1.18
0730	33.20	27.97	27.97	1.18
0800	33.52	27.97	27.97	1.18
0830	33.52	32.98	32.98	1.18
0900	33.52	32.99	33.00	1.18
0930	33.52	58.29	58.29	1.18
1000	33.52	58.28	58.30	1.18
1030	33.53	58.28	58.29	1.18
1100	33.53	36.97	36.98	1.18
1130	36.78	36.97	36.98	1.18
1200	36.78	36.97	36.99	1.18
1230	36.78	36.97	36.98	1.18
1300	38.80	36.96	36.97	1.18
1330	36.78	31.67	31.58	1.18
1400	38.89	31.67	31.58	1.18
1430	38.89	31.67	31.97	1.18
1500	38.89	31.67	31.67	1.18
1530	39.01	31.88	31.89	1.18
1600	80.16	31.98	32.11	1.18
1630	71.53	56.39	59.50	1.18
1700	104.26	78.80	86.33	1.18
1730	109.24	120.02	127.92	1.18
1800	95.84	114.46	121.49	1.18
1830	66.73	54.41	57.45	1.18
1900	52.60	52.18	58.35	1.18
1930	47.43	41.82	42.38	1.18
2000	42.23	33.26	33.36	1.18
2030	33.55	36.97	36.96	1.18
2100	36.76	27.98	27.98	1.18
2130	33.20	27.85	27.86	1.18
2200	30.00	27.58	27.88	1.18
2230	30.19	27.28	27.29	1.18
2300	23.66	23.72	23.72	1.18
2330	19.31	23.19	23.13	1.18
2400	18.74	19.96	19.95	1.18

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final prices for that day. [illegible]

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Iran and Arab states differ at Islamic meeting

By Robin Allen in Tehran

Sharp differences emerged yesterday between Iran and Arab states over Middle East peace-making and security in the Gulf, as a power blackout and a leaking roof in Iran's new conference centre curtailed proceedings at the summit meeting of the Organisation of the Islamic Conference.

These disagreements centred on the "land-for-peace" formula at the heart of the Middle East peace process; Turkey's military incursion into northern Iraq; protests by the oil-rich Gulf states at Iran's occupation of three Gulf islands claimed by the United Arab Emirates; and Iran's attempts to persuade the Gulf states to withdraw from defence arrangements with the US and instead forge collective security arrangements for this "Islamic sea".

The damage done by snow and heavy rain caused acute embarrassment to Iranian officials, who have sought to use the summit to improve Iran's international image. The conference was temporarily moved to the nearby headquarters of the national broadcasting company.

While all 55 OIC countries blame Israel for stalling the peace process, several Arab states including Egypt, Syria and Jordan, and the Palestinian Authority, were unhappy at the description by Iran's spiritual leader, Ayatollah Ali Khamenei, of the land-for-peace formula as a "losing transaction".

Disagreements had also emerged over a draft resolution expressing concern at Moslem states which co-operated militarily with Israel, an implicit reference to Turkey, which this week hosted Yitzhak Mordechai, Israel's defence minister.

Iraq's delegation, led by Taha Yassin Ramadan, deputy prime minister, accused Turkey of this week launching "a new invasion of northern Iraq" with 20,000 troops and armour. The OIC, however, is likely to limit itself to a resolution reaffirming the need to protect Iraq's territorial integrity.

Many delegates were also unhappy about Iran's bid to steamroller OIC resolutions through in "bundles", with Amr Moussa, Egypt's foreign minister, telling his counterparts at the first closed session yesterday he was "sure none of you have read all 142 of them".

John Barham adds from Ankara: Mr Mordechai ended a successful three-day visit to Turkey yesterday, further strengthening close ties between the region's principal military powers.

An Israeli official said the visit, the first to Turkey by an Israeli defence minister, was primarily intended to advance the broader political relationship rather than just trying to sell Israeli defence hardware.

NEWS DIGEST

Zimbabwe tax rises scrapped

Herbert Murerwa, Zimbabwe's finance minister, yesterday withdrew three tax increases, completing the government's retreat from last month's mini-budget. The 5 per cent surcharge on electricity tariffs was withdrawn immediately while the 2.5 per cent rise in sales tax to 17.5 per cent will be cancelled from January 1, as will higher fuel taxes announced a fortnight ago.

The climbdown follows Tuesday's successful strike organised by the Zimbabwe Congress of Trade Unions against the tax increases and the formal withdrawal of two other taxes – the 5 per cent surcharge on personal and corporate income tax. The taxes were raised last month to pay for the Z$4bn ($167m) compensation package to war veterans.

The withdrawal of the taxes increases the budget deficit to an estimated 11 per cent of GDP from the 8 per cent forecast in the budget in July. *Tony Hawkins, Zimbabwe*

■ EDUCATION

Governments 'must try harder'

Governments still have a long way to go in modernising education structures to meet the demanding challenges of the next century, according to the Organisation for Economic Co-operation and Development.

The latest international indicators from the OECD's 29 member countries show that, while most young people's attainment is improving, there are a minority whose education is a failure.

The OECD says: "Social cohesion rather than narrow economic gain is the greatest prize for societies in which all citizens use learning to become more effective participants in democratic, civil and economic processes."

While in some OECD countries, more than 80 per cent of the population aged 25 to 64 have completed at least upper secondary education, the proportion is less than 50 per cent in Greece, Ireland, Italy, Luxembourg, Portugal, Spain and Turkey. *Andrew Bolger, London*

■ JERUSALEM

Israel to outlaw census

The Israeli parliament was last night set to pass legislation to prevent the Palestinian Authority from holding a census in east Jerusalem. The proposed amendments to a 1994 law seek to restrict "meetings and activities" by the PA to areas under its sovereignty. It also added that the PA could not carry out activities that affected someone else's sovereignty, implying the whole of Jerusalem was part of Israel's sovereignty. *Judy Dempsey, Jerusalem*

■ SUDAN

Albright meets rebel leader

In one of the strongest signals to date of Washington's support for Sudanese groups battling the Islamic government in Khartoum, Madeleine Albright, the US secretary of state, yesterday met John Garang, head of the main rebel organisation.

The meeting in Uganda, with Mr Garang and other members of the National Democratic Alliance, an umbrella opposition group, will give Mr Garang's Sudan People's Liberation Army, which has enjoyed a string of military successes this year, a psychological boost.

Mrs Albright said her intention was to show high-level support for efforts to change Sudan's murderous ways. Washington has long accused the National Islamic Front of exporting terrorism. *Michela Wrong, Nairobi*

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Inward investment English MP challenges aid given in Wales ■ Hyundai factory delay confirmed

State grant to LG to be probed

By Juliette Jowit in Cardiff

A £247m ($413m) state grant paid to South Korean electronics giant LG is to be investigated by a spending watchdog after a complaint from a senior Labour MP.

The grant was a contribution towards the company's £1.7bn investment in two electronics factories in south Wales, which together will be the biggest inward investment project in Europe.

The investigation by Sir John Bourn, the comptroller and auditor general, is a response to a letter from Alan Campbell, a Labour member of the House of Commons public accounts committee, whose Tynemouth district in north-east England had hoped to win the LG project.

A full investigation by the committee would be likely to include the questioning of William Hague, the opposition Conservative party leader, who was chief minister for Wales in John Major's government. In that role, he led negotiations about the factories with LG.

"We are looking into the points made by Mr Campbell in his correspondence, that would involve us visiting." Sir John's office said yesterday. "It depends on what we find as to whether we report our findings to Mr Campbell or there are some other issues which should be reported to Parliament."

The revelation could cast a cloud over the expected announcement on Monday of a 1,000-job investment project by Taiwanese computer firm Acer in Cardiff, the Welsh capital. That has also been criticised by rival bidders at the Northern Development Corporation in England.

Mr Campbell's letter followed complaints by north-east England development chiefs about "unfair" levels of funding available to attract job-creating projects to Wales. He demanded an inquiry into the £247m grant to LG from the Welsh Development Agency, which was £167m more than that offered by its northern England rivals.

The Welsh Development Agency yesterday sought to play down the latest development, stressing that Sir John's move was entirely a routine response to Mr Campbell's correspondence.

The WDA has kept a low profile during the continuing debate over its funding, rejecting claims that it has "gazumped" projects from other areas.

Korean industrial giant Hyundai may have to delay for up to a year the opening of a computer chip factory in Scotland, Locate in Scotland said yesterday. As reported by the Financial Times in November, the government agency said there would "be some delay in equipping and commissioning" Phase One of the Dunfermline plant which is due to employ 800.

"It would now appear that the disruption to the Korean economy is so severe that Hyundai, like many other companies, is re-assessing its short-term programme," said Donald Dewar, UK government chief minister for Scotland.

Nissan output may rise by 50% after 2000

By John Griffiths in London

Nissan expects the rapid rise in car output at its factory near the northern England city of Sunderland to slow sharply next year.

Production hit a record of 271,000 cars this year and is expected to remain unchanged next year as the European car market stagnates. But Nissan expects a big boost to output early in the next century when the replacement for the Almera goes into production. It could lift output at Sunderland to 400,000 cars a year.

Production prospects have been boosted, according to Nissan's European executives, because the parent company in Japan has accepted that the Almera's replacement must have a considerably greater European design and styling input.

The Sunderland-built Primera was widely criticised for its blandness when launched last year. It is produced alongside the Micra, Nissan's six-year-old supermini, which is also due for a facelift next year.

Nissan's confidence in the future of its UK operations was expressed yesterday just a day after Toyota, Japan's biggest carmaker, said it planned to construct a second European plant at Valenciennes in Northern France rather than expand existing plant at Burnaston in the English Midlands.

In a recent study by the Economist Intelligence Unit, Toyota's Burnaston factory was ranked third in European productivity terms behind Nissan's Sunderland plant and General Motors' Eisenach plant in Germany, with Honda's English facility fourth.

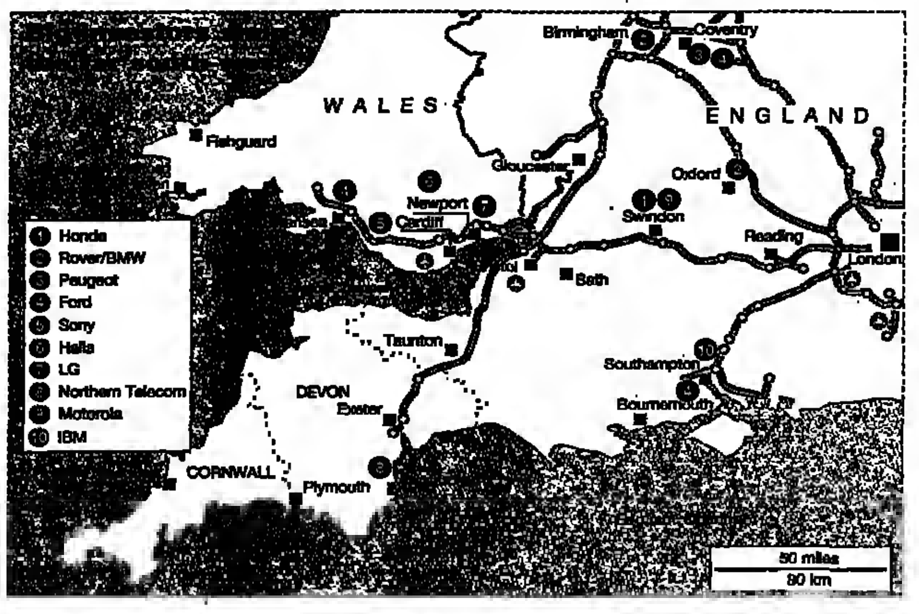
● Ryobi, the Japanese car parts manufacturer, is to invest £27.8m ($46.4m) expanding its Northern Ireland die castings factory. Ryobi will be Northern Ireland's largest Japanese company, with total investment of £60m. The company is to receive a £2.8m grant from the UK government's Northern Ireland Industrial Development Board.

Regions fear development poachers

Local skirmishes echo big inward investment battles, Juliette Jowit writes

Some regional development bosses claim that companies in their areas are being wooed away with offers of grants, land, premises and wage subsidies – sometimes against the rules, but more often, they say, in subtle manipulation of the guidelines.

These local battles are being fought against a background of the more public struggle among Scottish, Welsh and English regions about big investment projects. The targets of such criticism include organisations in north-east England, and especially the many development agencies in Wales. They all deny that they are doing anything more than legitimately marketing themselves to companies with an interest in expanding operations.



Ken Martin, head of Devon and Cornwall Development International (DCDI), an offshoot of the Invest in Britain Bureau, has cited 10 examples of companies which claim to have been approached by rival areas, sometimes by more than one. His claims were made to a recent House of Commons trade and industry committee investigation of the investment dispute.

The 10 included US toolmaker Gleasons, which employs 300 people in Plymouth, Devon, and the privately owned Fitzgerald Lighting, which employs nearly 600 staff in Cornwall.

For some years, West of England regions, particularly Cornwall, have suffered growing unemployment from the loss of traditional industries such as mining and fishing, and now rely heavily on the tourism and holiday sector.

Unnamed complainants cited by Mr Martin included an electronics company asked to move to Newport to supply the £1.7bn ($2.8bn) development by LG of Korea, and a US company looking to expand in the UK which claims it was offered a package which could have meant closing its site in south-west England and moving all its UK operations to Wales.

Companies which have themselves complained include Nelson Stokes, which makes hydraulic brakes in north Cornwall, and A.E Rodda, which makes traditional Cornish dairy products. Nelson Stokes said early this year that it had been approached by agencies in Wales and north-east England while Rodda said last year it had been approached by two development agencies in Wales.

Evidence of such "poaching" attempts is mostly anecdotal, following telephone calls, with the accusing finger pointed sometimes vaguely at "the Welsh", sometimes more specifically at local councils and other small agencies. Mr Martin believes that such bodies are used as a "convenient smokescreen" to seek out potential investors and then channel through financial aid or sites from the Welsh Development Agency.

The mailshots, cold calls and allegedly more focused attempts to lure companies away from Devon and Cornwall make it obvious that regulating such activities is fraught with difficulties. The line between advertising opportunities and "poaching" jobs is hazy at best.

The Welsh Development Agency, financed through the government's Welsh Office, is often portrayed as the arch-wizard of such activities. But the agency insists that it would never deliberately break the rules. "It's contrary to the rules to use public money to support a company moving from place to place," said James Turner, managing director of the WDA's international division.

"Where the opportunities exist will be in relation to expansion, where a company is growing and for whatever reason, either through skills available or lack of land or property, they want to expand their site and can't do it where they are. Those are the opportunities one can pursue."

One weakness in the prosecution argument is that no examples can be found of companies that have actually moved away – certainly not simply by transferring jobs. The English regions recognise the difficulty in legislating against "poaching" attempts, but want official recognition that it happens and should be investigated. They also want more money, which they see as the key to the proactive line in Wales and Scotland.

Michael Bourke, director of Swansea Bay Partnership in south Wales – financed by the WDA and local councils and cited by DCDI for allegedly asking a leisure company to move to south Wales – dismisses accusations from the English regions.

"I don't think they are doing themselves any favours," he says. "They keep making these accusations, but never come up with a name."

UK NEWS DIGEST

$700m wiped off Railtrack

Shares in Railtrack, the privatised owner of the national rail network's track signalling and stations, plunged 84 pence to 996 pence in London yesterday following the announcement of a review of the way the company levies access charges to passenger train operators. The share price fall wiped £420m ($701.4m) off Railtrack's market value, reducing it to £5.44bn, but news of the regulator's review prompted price rises among companies owning formerly state-owned train operating franchises. Stagecoach, which owns South West Trains, rose 5¼p to 785p while Go-Ahead with shares in two franchises rose 5¼p to 539p. The review, which will be carried out by John Swift, rail regulator, will look at the way Railtrack accounts for property profits, at who benefits from any savings on track maintenance costs and at what is an acceptable overall rate of return. Passenger train operators provide 90 per cent of Railtrack's revenues, a total of £1.23bn in the six months to September. It made a pre-tax profit of £190m. Mr Swift said that his aim was to establish a framework "which provides challenging targets for future efficiency and for improvements in network performance and capability." Gerald Corbett, Railtrack chief executive, said "The regulator has a duty not to make it unduly difficult for Railtrack to finance its activities." *Charles Batchelor, London*

Lex, Page 12

■ TELEVISION SPONSORSHIP

Toyota signs five-year ITV deal

Toyota, the Japanese carmaker, has reached an agreement to sponsor all available programmes on the ITV terrestrial commercial television network on December 31 and January 1 in each of the next five years. The first stage of the £18m ($30m) deal will begin on December 31 this year as Toyota's new family car, the Avensis, begins a sponsorship of 19 programmes, running over 33 hours until midnight on January 1.

It will not include programmes which already have a regular sponsor, and programmes that broadcasting regulations do not allow to be sponsored, such as the news. The agreement is the first time a single UK television sponsor has agreed to put money behind a run of programming, instead of choosing an individual programme or series that matches its brands.

John Hardie, marketing and commercial director at ITV, said the sponsorship was "the most diverse, largest and longest future investment ever negotiated by any UK network, satellite or terrestrial". *Alison Smith, London*

■ CENTRAL BANK

Difference of opinion on rates

Speculation that some members of the Bank of England's monetary policy committee may have voted against November's rise in interest rates proved to be unfounded yesterday, but the minutes of the committee's deliberations indicate clear differences of opinion. The institution is the UK central bank.

The minutes show that the seven members of the committee voted unanimously to raise rates by a quarter-point to 7.25 per cent on 6 November. But they also indicate three strands of argument: one for no change, a second for a precautionary increase and a third for an increase in the expectation of more to follow.

"Presumably, the three views each reflect one or more members of the committee," said Michael Saunders, at Salomon Smith Barney. "The chances are that the agreement to hike by a quarter-point was a compromise, probably with the aim of keeping unanimity as much as possible." *Robert Chote, London*

■ COAL MINING

Blair promises deal over closures

Tony Blair yesterday made a surprise intervention in the coal crisis, promising a deal between the big three privatised generators and RJB Mining, Britain's biggest coal miner, that will forestall pit closures and redundancies for six months.

The prime minister said this would also give the government time to "consider the role of coal could play in meeting Britain's future energy requirements" and give the coal industry time to look at ways of improving its competitiveness.

RJB welcomed the prime minister's statement as a "constructive step forward and removes the threat to pits and jobs", but the generators were left divided and bewildered.

National Power, the biggest generator and the one that has contracted to buy the most coal from RJB, said it had done all it could. "We have done a big deal [18m tonnes over three years] with RJB – that is fair," the company said.

PowerGen, which has signed no agreement with RJB and is seen as the source of the miner's difficulties, welcomed the announcement. Ed Wallis, chief executive, said: "The government has recognised that competition policy is no energy policy".

PowerGen, whose 9m tonne contract with RJB expires next March, said it was still looking for competitively priced coal. *Simon Holberton; David Wighton, London*

Banks given assurance over payments in euro era

By Our Banking Editor

The Bank of England yesterday moved to reassure UK banks that ways would be found to allow them to make full use of the Target euro payment system even if their access to short-term liquidity borrowing from the European Central Bank is restricted.

The Bank is still fighting a rear-guard action against central banks in mainland Europe which argue that banks from countries outside European Monetary Union cannot expect the same access to liquidity as those from Emu countries.

However, the Bank yesterday listed arrangements which would allow UK banks to make use of Target without ECB liquidity. Many national payment systems operate by totting up the transfers banks make to and from each other during the day and then settling up the net figure at the end.

In Target and other real-time payment systems, however, transfers are made instantly, so a bank can see its balances rise or fall sharply during the day, depending on when it happens to make or receive payments.

Banks therefore need a supply of intraday credit to smooth out the peaks and troughs in their payments. But if the ECB does not supply that credit, "out" banks could queue their payments so that outbound euro payments were not handed over until they had received any inbound payments they were expecting from other banks inside the Emu area.

Alternatively, banks could borrow euro liquidity through branches in the euro area, or the Bank of England could provide liquidity from its own euro resources.

Regulators to track computer 'bomb' readiness

By Alan Cane and Paul Taylor

Financial regulators intend to track firms' preparedness for the "millennium bomb" – the problem of some computers' inability to distinguish between the 19th and 20th centuries – and will intervene where necessary to protect investors or market integrity, Howard Davies, chairman of the UK Financial Services Authority, said yesterday. The FSA is the integrated regulator of the City of London.

He said that institutions which failed to prepare for the millennium faced disaster. Among likely consequences, he said that investors or depositors might be unable to access their money and assets.

"It could involve non-completions of deals, market disruption, loss or degradation of customer records and even, in the extreme, business collapse."

Mr Davies made it clear he saw the issue as a regulatory matter.

"Each of the organisations within the FSA system is pursuing these issues with the firms it regulates," he said.

"Our consistent message to firms in the financial sector is that they should all by now have a compliance project in place which allocates executive responsibility, requires regular reports to the board and furnishes the necessary resources."

Meanwhile, Professor Mike Smith of St Bartholomew's Hospital in London warned at a London conference organised by Taskforce 2000, the government-sponsored body charged with raising awareness of the problem, that as many as 1,500 hospital patients could die as a direct result of computer failures in the first weeks of the year 2000. Prof Smith, an expert in both computing and health issues, said that by comparison there were 20 deaths allegedly resulting from the London Ambulance Service computer breakdown in 1992 which lasted for three days and affected only London.

Prof Smith said a detailed study of the effects of year 2000 problem on the state health service showed that the government was either being "astonishingly complacent" or "showing a total misunderstanding" of the issue.

Prof Smith's study showed that most healthcare organisations would not achieve even modest protection from the year 2000 problem. The cost for the health service alone was likely to reach £500m ($835m) – but most trusts had not made any budgetary provisions.

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'Loyalists' restive about Ireland talks

By John Kampfner, Chief Political Correspondent

Concern is growing in Ireland that the British government's focus on measures to build nationalist confidence about the peace process are putting intense strain on the three year old ceasefire by Protestant "loyalists".

Officials involved in the peace process point to what they call "gesture politics." They cite high-profile announcements of withdrawals of British troops and an end to a requirement of police recruits to swear an oath of allegiance to the Queen.

The new direction of UK policy will be demonstrated today with the first visit to 10 Downing Street, London residence of the UK prime minister, for more than 70 years by a Sinn Féin delegation. It will be led by Gerry Adams, the party president.

Reuters

Hardline members of the Protestant Orange Order, which has branches in the US and Canada, stage a protest at its headquarters in their traditional orange-coloured regalia

Tony Blair, the prime minister, said in the House of Commons yesterday that the meeting was not a concession to violence. "If they return to violence, they will go out of the [multi-party] talks," he said. As Sinn Féin had last year agreed to the Mitchell principles of non-violence it was "absolutely essential" to treat them in the same way as other parties.

The seven-strong Sinn Féin group, which includes Martin McGuinness, the party's chief negotiator, and Martin Ferris, a convicted former gunrunner, is expected to have an hour of talks with Mr Blair.

Mr Blair's aides acknowledge that Sinn Féin will extract maximum propaganda advantage from the meeting. However, they say the group is being granted the same rights and access as other parties in the negotiations for a constitutional settlement for Ulster.

Meanwhile, anxiety was reinforced by a sit-in yesterday by some members of the Protestant Orange Order, who occupied its Belfast headquarters and forced its half-yearly meeting to be moved. Up to 100 members of the order's hardline Spirit of Drumcree faction took over the House of Orange.

The group is opposed to the re-routing of traditional parades through city streets, as happened several times last summer. They want Robert Saulters, grand master of the Orange Order, replaced as they consider him too moderate.

Jeffrey Donaldson, the Ulster Unionist party MP and retiring deputy grand master of the order, warned of a "very serious split."

Two faces, Page 10

ARTS

Cinema/Nigel Andrews

Growing into the Bond role

TOMORROW NEVER DIES
Roger Spottiswoode

A FURTHER GESTURE
Robert Dornhelm

I KNOW WHAT YOU DID LAST SUMMER
Jim Gillespie

PERSONS UNKNOWN
George Hickenlooper

The new James Bond enterprise comes with an intriguing plot. A group of media masterminds bent on world dominance rock the money markets with an explosive overspend. Calamities unspool, major and minor. The project director fights with the "ideas man"; a top woman employee bursts into tears when handed a radical new work-brief; and two key players, male and female, quarrel publicly. She accuses his beard stubble of scraping her face, he slags her off for charmlessness in the press.

And all this is only *off* the screen. That the problem-riddled *Tomorrow Never Dies* ever reached cinemas, we owe to the Broccoli empire's determination not to let a cash cow expire before it comes to market – or even to look as if it might have. The cow here is a brindled thing, part bad part good. But it moves like merry thunder. This cow could win the Grand National by several lengths and a hedge.

We know we are safe right from the pre-credits sequence. Pierce Brosnan's Bond (he with the stubble that troubled lead actress Teri Hatcher) is at a terrorist boot sale somewhere in ex-USSR and must hijack a warhead-carrying fighter plane as NATO prepares to bombcrash the party. The suspense is agonising. Never mind NATO. We know there are only a few precious, ticking minutes before the Shirley Bassey soundalike will launch into the title song ("To-moh-rrow nev-ahh dies") while computer graphic nudes go whirly all over the screen.

Thereafter it is cars, bedrooms, explosions and double entendres, in no particular order. And there is Jonathan Pryce in fine form as a world media tycoon, a sort of Rupert Murdoch with extra madness. His character's self-appointed mission is to provoke war between China and Britain, for reasons I understood at the time but am a little hazy about now.

The Bond films stuttered into ordinariness in the late 1980s, when Timothy Dalton rashly tried to play him as a human being. Brosnan, improving on his own dullish start, is now accumulating the essentials: smugness, smartness and an ear-to-ear, perfectly groomed superficiality. He gained 20 pounds for the role – pounds weight not pounds sterling, which were £5m – and he fills out the suits. He also has the right style when telling a Danish lover "I always enjoy studying a new tongue," which leads to Ms Moneypenny's comment during a simultaneous phone call, "You always were a cunning linguist, James."

The remote-control BMW, the car chase through downtown Saigon and the pyrotechnical climax in Pryce's billion-dollar armoured houseboat, with fine views of the South China Sea and the end of the world, are all good value. Director Roger Spottiswoode – he who tangled with screenwriter Bruce Feirstein, first firing then rehiring him – earned his action licence by editing for Peckinpah and directing *Under Fire*: he is clearly the man for the 007 job.

My only quibble concerns the supporting stalwarts. "M", when played by that fine walking head-cold Bernard Lee, used to have a whole briefing scene to himself. Here Dame Judi Dench must lob guerrilla one-liners from a standing position in op rooms. (No wonder she was upset when even these were changed). And Desmond Llewellyn's Q surely demands more than a tiny cameo. Here, he barely has time to list the BMW's rockets, smashproof windows, high-volt electrified bodywork, metal spikes to puncture enemy tyres, satellite downloader, nuclear touchpad and, we trust, cigarette lighter and AM/FM radio.

★

A Further Gesture is an odd title: the phrase often completes itself with "would be futile." This is true, alas, of Channel Four's weakly conceived political drama. Stephen Rea, credited with the story idea that inspired Ronan (*Face*) Bennett's script, wears his most lugubrious basset-hound look as the New York-fled IRA jailbreaker who risks blowing his cover by helping a Guatemalan woman's revenge mission against a compatriot torturer.

Ergo: it is a tale of two paramilitarisms. It is also a gauchely internationalist film aimed at pleasing every art-and-agitprop market in sight. Directed by an Austro-Romanian (Robert Dornhelm of *Requiem For Dominic*), its credits read like a who-the-hell-is-who of global cinema. Britain's Alfred Molina plays a fellow Hispanic to Rosana Pastor's heroine, while a Polish cinematographer, Japanese editor and German producer help to complete the multicultural hell. Unsurprisingly, the film has no sense of belonging to any reality beyond the camera's range.

★

Christmas movies are wonderful things. If you think your children would be ill-served by a tale of urban guerrillas, there is always *I Know What You Did Last Summer*. Here they can watch a group of high-school teenagers chased, terrorised and eviscerated by a mad, possibly dead fisherman.

Kevin Williamson, who scripted the praised horror film *Scream*, penned this tale of blood and vengeance. Scottish television's Jim Gillespie directs with minimal flair. These hack-and-slash films were high fashion in the late 1970s/early 80s, when Halloween became an annual weekend for masked maniacs and the *Friday the 13th* series spiralled into double figures. Today, though, in the age of Luxor and other enormities, we may feel we get enough of it at home.

★

"Ever have a body that won't stay dead?" is the opening question in the film's publicity notes. The answer is yes, and twice in one press-show day this week. In *Persons Unknown*, another pre-Christmas offering from the seasonally insensitive, an entire movie is deceased but refuses to lie down. Joe Mantegna, Kelly Lynch and J.T. Walsh, lowlifers living on the edge of the law, chase each other all over America's high sierras without once indicating why we should care.

There are guns, knives, stolen money, cattle prods and runaway wheelchairs, with little rhyme and less reason to any of them. George (*Hearts Of Darkness*) Hickenlooper's direction – low angles, bits of slow motion, Roeg-ish intercutting – makes trash doubly insulting by packaging it as art.

Perfectly groomed superficiality: Pierce Brosnan as 007 with Cecilie Thomsen in 'Tomorrow Never Dies'

Theatre

Less mythic than corny

It is hard to believe that John B. Keane's first play is nearly 40 years old now: it seems much, much older. Although *Sive* is set in the Ireland of the late 1950s, Keane's heightened, poetic diction owes a good deal to Yeats, his cast of quaint Irish types seem to have their roots in Synge, or even the bogtrotting comedies of Dion Boucicault, while the plot is pure folktale: *Sive* (it rhymes with "thrive"), an orphan who lives with her uncle and his wife, is to be forced into marriage with a much older man; but her lover, her grandmother and a pair of tinkers plot to save her.

Ben Barnes, director of this co-production between the Tricycle and the Watford Palace, notes that in earlier productions of Keane's plays he sought to bring out the realism and social comment they contain. The apparent fustiness of *Sive* is deliberate, a means of drawing attention to the clash of old and new worlds that rural Ireland was witnessing at the time. Sive is illegitimate and well educated, neither of them qualities likely to enhance her prospects; and the countryside, just beginning to see the first glimpses of prosperity, is still haunted by the Great Hunger. Sive is always within a short step of the modern world and the promise of happiness with her young lover, but is pulled down by a tangle of greed and tradition.

For this production, however, Barnes eschews realism to "unleash the elemental and mythical dimension of Sive". Unfortunately, this village Romeo and Juliet emerges here as less mythic than corny, the characters clichés rather than archetypes: the villainous local matchmaker has a game leg to match his deformed character; the uncle is a decent man who would like to do the right thing, but is browbeaten by his shrew of a wife; the tinkers are twinkly rogues, singing jaunty curses. The characters speak in a high-flown rhetoric – "Never!" vows the uncle, when marriage to the old man is proposed, "If the sun, moon and stars rained down out of the heaven and split the earth!" – which quickly starts to sound risible. Even the tinkers' curse ("May the snail devour his corse") one of the high-points of the evening, becomes tedious the third or fourth time around.

At least Keane's peasant rhetoric is heartfelt and authentically Irish – in comparison, the faked, ironic Irishness of Martin McDonagh's more recent plays looks tawdry. This is not an unenjoyable evening; but it is never an affecting one.

Robert Hanks

At the Tricycle Theatre, London NW6 to January 17 (0171-328 1000).

Theatre/Alastair Macaulay

Family attractions

Incest is not a new theme in plays (or novels, or operas, or films). It is, however, still so infrequent that, in watching the brother-sister incest of Richard Nelson's new play, *Goodnight Children Everywhere*, it is very easy to recall some of the previous depictions of the subject.

Since this play is being presented by the Royal Shakespeare Company, one naturally thinks of *'Tis Pity She's a Whore*. But anyone who knows Wagner's *Die Walküre* will remember that yet more. Both that opera and Nelson's play show, very precisely, how incestuous attraction commences between a young married woman and the brother she has not seen for years. This resemblance between these otherwise dissimilar works may be accidental; Nelson's play is not the kind of literary drama that places itself knowingly in some kind of incest canon. Still, in both cases, the incestuous desire is, from the first, also adulterous; and it arises – instinctively, unstoppably, touchingly – from the separation of orphan siblings since childhood.

The year is 1945. Peter, now aged 17, returns from evacuation in Canada to his three sisters. Betty is 21, Vi is 19, and neither is married; Ann, who is 20, is not only married to Hugh, a doctor in his early 50s, but is also far gone in pregnancy. And they all live in the same flat. There is plenty else going on. Hugh has, we learn, a girlfriend on the side himself; Vi is a wannabe actress who has built up quite a bit of sexual experience: Betty is a faintly hysterical virgin with a crush on Hugh.

As for Ann, she fully understands the complexity of the attraction she feels to her brother: he is the baby she once helped to bathe and a counterpart to the baby in her womb, he is the beloved little brother from whom she has long been sundered, and – now that he has returned in virile manhood – he is also even the father who, during the war, died and left them all orphans.

Peter himself says remarkably little. Indeed, he is often remarkably passive, a sweetie who is inclined to do what his sisters tell him to do. But, unlike each of them, he is never in denial about his feelings. And the most affecting feature of Ian Brown's RSC production is the performance that young Simon Scardifield gives as Peter. Vulnerable, huggable, impulsive, he is the baby brother of everyone's dreams, and the Oedipal part of his feeling for Ann is perfectly transparent. There is one scene in which Ann talks and talks and talks to him, her thoughts bouncing this way and that, and what one hangs on is Scardifield, who just listens and watches her. When she advances towards him, he sits up, as if drawn to a magnet; when she turns away, he sinks back; but his eyes are always on her, and the steadiness of his emotion is the anchor of the scene.

Around this clear core, the rest of Nelson's play seems subtle but unfocused. There is intelligent and sensitive writing everywhere, but it takes a long time till the play seems of much consequence: interesting if you're interested in historical fiction about families reunited after evacuation, you think. And, though Hugh, Betty, and Vi each have telling scenes, we can't help feeling that Nelson keeps shunting them offstage at regular intervals to concentrate on his main theme.

Eventually, however, it is the point. In the final scene, as Nelson's play starts to move on beyond incest, it becomes affectingly clear that its real point is the degree to which these adults, reunited in their childhood home, still feel like orphaned children.

In RSC repertory at The Other Place, Stratford-upon-Avon. Sponsored by RSC Platinum Corporate Members.

Scarred childhood: Robin Weaver and Simon Scardifield Alastair Muir

INTERNATIONAL
ARTS
GUIDE

AMSTERDAM

EXHIBITIONS
Stedelijk Museum
Tel: 31-20-5732911
www.stedelijk.nl
Gabriel Orozco: Recordings and Drawings. Display of recent video works by the Mexican artist, filmed in New York and Amsterdam; to Dec 14

OPERA
Netherlands Opera, Het Muziektheater
Tel: 31-20-551 8911
Dialogues des Carmélites: by Poulenc. New production conducted by Yves Abel in a staging by Robert Carsen. Cast includes Joan Rodgers and Sheri Greenawald; Dec 13

BERLIN

CONCERTS
Deutsche Oper
Tel: 49-30-34384-01
Carmina Burana: by Orff. Conducted by Rafael Frühbeck de Burgos. With the Clemencic Consort conducted by René Clemencic; Dec 14

Philharmonie
Tel: 49-30-2548 8354
Berlin Philharmonic Orchestra: conducted by Claudio Abbado in works by Wagner, Schumann and Beethoven; Dec 12, 13, 14

DANCE
Deutsche Oper
Tel: 49-30-34384-01
Deutsche Oper Ballet: Rosalinde, choreographed by Ronald Hynd to music by J. Strauss; Dec 11

OPERA
Deutsche Oper
Tel: 49-30-34384-01
● Die Zauberflöte: by Mozart. Staged by Günter Krämer, with sets and costumes by Andreas Reinhardt; Dec 12
● Hänsel und Gretel: by Humperdinck. Conducted by Olaf Henzold in a staging by Andreas Homoki; Dec 13

BOLOGNA

OPERA
Teatro Comunale
Tel: 39-51-529 999
www.nettuno.it/bo/teatrocomunale
Turandot: by Puccini. Revival conducted by Daniele Gatti in a staging by Hugo de Ana; Dec 11

CHICAGO

OPERA
Lyric Opera of Chicago
Tel: 1-312-332 2244
www.lyricopera.org
Amistad: world premiere of Anthony Davis's new work about the 19th century anti-slavery campaign. Dennis Russell Davies conducts a production by George C. Woolfe; Dec 11

EDINBURGH

EXHIBITIONS
Scottish National Portrait Gallery
Tel: 44-131-624 6200
Portraits of Excellence: a series of photographs of distinguished academics at the University of Edinburgh, commissioned according to an 18th century University tradition; to Feb 1

LONDON

EXHIBITIONS
Barbican Centre
Tel: 44-171-638 8891
● Don McCullin – Sleeping With Ghosts: major retrospective of work by the photo-journalist which spans his career from 1959 to the present. Includes prints drawn from the major news stories he covered, and more recent still lifes and landscapes; to Dec 14
● James Ensor 1860-1949: more than 140 works by Belgium's foremost expressionist artist. Includes early studies of Ostend, portraits of the artist's family and friends, and the carnival paintings for which he is best known; to Dec 14

OPERA
Shaftesbury Theatre
Tel: 44-171-379 5399
The Royal Opera: Paul Bunyan, by Britten. New production staged by Francesca Zambello and conducted by Richard Hickox; Dec 11, 13, 15

LOS ANGELES

CONCERTS
Dorothy Chandler Pavilion
Tel: 1-213-365 3500
Los Angeles Philharmonic: conducted by Esa-Pekka Salonen in works by Ravel, Britten and Debussy. With soprano Sylvia McNair and the Los Angeles Master Chorale; Dec 11, 13, 14

MANCHESTER

CONCERTS
Bridgewater Hall
Tel: 44-161-907 9000
Tosca: by Puccini. Concert performance given by the Hallé Orchestra and the European Orchestra in their first collaboration. Kent Nagano conducts; Dec 11, 14

MILAN

OPERA
Teatro alla Scala
Tel: 39-2-88791
Macbeth: by Verdi. Conducted by Riccardo Muti in a staging by Graham Vick, with designs by Maria Bjornson. Casts vary; look out for Maria Guleghina and Roberto Alagna; Dec 13

NEW YORK

CONCERTS
Lincoln Center
Tel: 1-212-721 6500
www.lincolncenter.org
New York Philharmonic: conducted by Kurt Masur in works by Serocki, Bacewicz, Rimsky/Korsakov and Dvorák. With trombone soloist Joseph Alessi; Avery Fisher Hall; Dec 11, 12

DANCE
New York City Ballet, New York State Theater
Tel: 1-212-870 5570
George Balanchine's The Nutcracker; Dec 11, 12, 13, 14

OPERA
Metropolitan Opera, Lincoln Center
Tel: 1-212-362 6000
www.metopera.org
The Rake's Progress: by Stravinsky. New production by Jonathan Miller, conducted by James Levine. Cast includes Samuel Ramey and Dawn Upshaw; Dec 11

PARIS

CONCERTS
Salle Pleyel
Tel: 33-1-4561 6589
Orchestre de Paris: conducted by Wolfgang Sawallisch in works by Beethoven. With piano soloist Radu Lupu, soprano Luba Orgonasova, mezzo-soprano Marianne Roerholm, tenor Herbert Lippert, bass René Pape. Choir led by Arthur Oldham; Dec 11, 13

OPERA
Opéra National de Paris, Opéra Bastille
Tel: 33-1-4473 1300
Der Rosenkavalier: by Strauss. New production conducted by Edo de Waart in a staging by Herbert Wernicke. Cast includes Renée Fleming, Susan Graham and Barbara Bonney; Dec 11, 14

Opéra National de Paris, Palais Garnier
Tel: 33-1-43439696
The Merry Widow: by Franz Lehár. Armin Jordan conducts a new production directed by Jorge Lavelli, with sets by Antonio Lagarto; Dec 11, 14

Théâtre des Champs Elysées
Tel: 33-1-49525050
● Fidelio: by Beethoven. Production staged by Patrice Caurier and Moshe Leiser, with the Orchestre des Champs-Elysées and the Choir of the Welsh National Opera. Conducted by Louis Langrée; Dec 12
● Leonore: by Beethoven. Production staged by Patrice Caurier and Moshe Leiser, and conducted by Louis Langrée. With the Orchestre des Champs-Elysées and the Choir of the Welsh National Opera; Dec 13

TOKYO

EXHIBITIONS
Museum of Contemporary Art
Tel: 81-3-5245 4111
Loans from the Centre Georges Pompidou: selection of 127 works from the Musée National d'Art Moderne in Paris, on loan while it is refurbished. Artists represented include Matisse, Chagall, Picasso and Tinguely; to Dec 14

VIENNA

EXHIBITIONS
Kunsthistorisches Museum
Tel: 43-1-525240
Pieter Brueghel and Jan Brueghel: comprehensive survey of the art of the two sons of Pieter Brueghel the Elder. Includes around 130 paintings and 20 works on paper by Jan Brueghel the Elder (1568-1625) and his less celebrated brother Pieter Brueghel the Younger (1564-1637/8). The exhibition also includes a dozen important works by their father; to Apr 14

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17.30: *Financial Times Business Tonight*

● **CNBC**
08.30: *Squawk Box*
10.00: *European Money Wheel*
18.00: *Financial Times Business Tonight*

Peter Martin

Ghost of business future

The death of traditional forms of banking means that banks must concentrate on finding ways to keep hold of increasingly fickle clients

The demise of the British merchant bank has been widely noted. Much less attention has been paid to the demise of another traditional pillar of the financial system, the continental European universal bank.

There is a reason for this. Merchant banks have, literally, disappeared, bought out by US-style investment banks or by commercial banks. Universal banks appear to remain in existence: the big German and Swiss banks, which invented this role, are still prominent. One of this group, the about-to-merge United Bank of Switzerland, will become the second-biggest bank in the world, measured by total assets.

Yet despite these apparent signs of health, the universal bank is on the way out. The big Swiss banks, together with Deutsche and Dresdner banks of Germany, are transforming themselves into quite different animals: global investment banks with a substantial domestic banking business on the side.

In a world of unfettered global capital flows and international companies, the universal bank is essentially outdated, because it is a concept defined by national borders. Its historical role was to accept the savings of domestic depositors, to lend them on to domestic industry, and to act as both retail broker and corporate underwriter. In all these activities, it relied on its central role in a domestic financial system largely insulated from outside competition.

This national role is now history. Yet it lies at the heart of the universal bank's identity. Deutsche Bank, the first and greatest of such enterprises, was – according to Hermann Wallich, its early managing director – founded with the object of freeing Germany's overseas trade from its reliance on British finance. "It was a happy notion," he wrote, "to free the fatherland from this tribute and make our commerce independent."

Subsequently, Deutsche Bank expanded from financing overseas trade to financing domestic industrial investment and underwriting corporate stocks and bonds. The universal bank was born. But Deutsche Bank retained its *raison d'être* as an essentially national project: until the 1920s, its crest was a variant of the imperial eagle.

Much has changed since then. Deregulation of European financial systems, competition from home and abroad, the need to tap the capital markets of the US – these trends have created the global investment bank. Universal banks in Switzerland and Germany have decided that their future lies in competing in this wider league, not in continuing to fight yesterday's battles at home. Their competitors – some way ahead of them, it must be said – are the ever-larger US investment banks, such as Morgan Stanley Dean Witter, Merrill Lynch, Goldman Sachs or Salomon Smith Barney.

If the Europeans succeed, their traditional role as domestic banks and brokers will eventually become a minor part of their operations. If they fail, they may indeed be pushed back to their domestic roots – but will no longer be able to count on the unquestioning support of depositors or clients. Either way, the traditional universal bank model is dead.

This is not merely the end of a century-old phenomenon in European finance. It is also a symptom of a wider change in business everywhere – the weakening influence of "account control".

This phrase once described the hold IBM had over its customers, in the days when they had nowhere else to turn. But it applies to a century-old style of business. Companies could rely on a stable set of customers, making predictable demands. The level of their orders might go up or down, depending on the economic cycle. The balance of power between seller and buyer might fluctuate as a result. Competitors would enter the market; sometimes they would woo the customer away. But mostly, the customers stayed.

They stayed, in some cases, because they were locked in to "system" choices that made switching an expensive business – this was the secret of IBM's hold. In some cases they stayed because of close personal relationships between bosses, or between salesman and purchasing agent; or between companies linked by geography, nationality or history. Mostly, though, they stayed because of invisible fences that kept them in: the limited number of rival suppliers, and the cost of obtaining the information necessary to make informed judgments about them. These fences were particularly strong in the financial services industry: strongest of all in those countries where the universal banking model prevailed.

All these sources of influence are weakening, in industries from heavy engineering to finance. In a world of open standards, "system" influence no longer provides such a stranglehold, as IBM has learnt to its cost. Microsoft has obtained a pervasive role for its operating-system software, and Intel for its chips, but they have done so by making their standards more open than the old IBM mainframes ever were.

Similarly, personal and corporate relationships are weakening, in the face of intensified emphasis on returns to shareholders. Corporate relationships persist, of course – indeed, they have been given a new lease of life by the vogue for strategic partnerships. But such relationships are justified on strictly mercenary grounds. The implicit message is: "what have you done for me lately?", and power in the relationship rests disproportionately with the customer.

Globalisation has meant that there are more potential suppliers in all markets. And the information revolution is shifting the balance of advantage to the customer and away from the supplier. John Hagel and Arthur Armstrong of McKinsey's Silicon Valley practice believe that the growth of online "virtual communities" of buyers is creating markets "in which the customer, armed with a growing amount of information, uses [it] to search out vendors offering the best combination of quality and price tailored to his or her individual needs".* General Electric conducts electronic reverse-auctions among suppliers of standardised products. It sets out its requirements, then asks for bids. Through this process, it is shortening the procurement cycle and giving more business to foreign suppliers.

Any manufacturer of mass-market consumer products will find little new in all this. Indeed, the modern brand exists precisely to overcome the inherent fickleness of mass consumers – a fickleness which business to business purchasers are now free to emulate.

Suppliers of such products and services are thus themselves adopting branding principles, seeking to adapt them to this very different environment. So far, this approach has led to a rash of new corporate identities, but little profound change in business approach. The death of the universal bank, and the need for its successors to redefine themselves in a fiercely competitive world, offers the opportunity for a breakthrough in the creation of business-to-business brands. Without it, the Swiss merger can, at best, achieve only partial success.

**Net Gain: expanding markets through virtual communities, by John Gael III and Arthur G. Armstrong. Harvard Business School Press, Boston, 1997, 233pp, $24.95.*

Email: peter.martin@FT.com

BOOK REVIEW • Jimmy Burns

MAN OF WAR; MAN OF PEACE? The Unauthorised Biography of Gerry Adams, by David Sharrock and Mark Devenport
Macmillan, 488pp, £16.99

Two faces of Irish republicanism

When Tony Blair meets Gerry Adams at Downing Street today he might reflect on the last time the Sinn Féin leader met the British government face to face in London. That was June 1972. Mr Adams was part of a delegation led by Sean MacStiofain, the IRA chief of staff, who was being received by William Whitelaw, then home secretary.

"Oh Mr MacStiofain, how do you do?" Mr Whitelaw said, extending his hand. Mr MacStiofain replied by reading out a list of IRA demands, including a general amnesty, a public commitment to a united Ireland, and British withdrawal within three years.

Mr Adams, then 23, had just been been released from Long Kesh prison where he had been interned because of his alleged membership of the IRA. Three weeks after the collapse of the Whitelaw talks, the IRA broke its truce, setting off 22 bombs within an hour in central Belfast. In what came to be known as Bloody Friday, nine people were killed and dozens maimed.

The question posed by David Sharrock and Mark Devenport in their timely, unauthorised biography of Mr Adams is: to what extent has he changed over the past 25 years from a man branded by the British government as a terrorist to a Mandela-type statesman? Has Mr Adams genuinely become the man of peace the authors claim, "working from the inside at the highest levels of the republican movement, frustrated at the obstacles thrown in his path but determined to succeed in finally breaking the near-theological belief in physical force"?

Mr Sharrock of the Guardian and Mr Devenport of the BBC have done a remarkable job in dissecting arguably the most important, yet enigmatic, Irish republican leader since Michael Collins.

One of the book's main strengths is its detailed examination of Mr Adams' relationship with the IRA. The government has found it politically necessary to downplay his terrorist connections, while Mr Adams has stuck doggedly to the position that he is not, and never has been, an IRA member.

Yet the authors pull few punches. The book begins with an account of his father being arrested after shooting two policemen in 1942. The IRA, to which Adams senior belonged, had launched a campaign against British rule in the midst of the second world war.

Adams junior, according to the authors, began his active IRA involvement in 1965 when he was invited to join by the Belfast O/C (officer commanding) at a time of mounting Catholic civil rights protest. By the early 1970s, he had risen through the ranks and was commanding the IRA's Second Battalion in Belfast with some 700 men under his command. By 1977, he is said to have reached the IRA's Army Council, the organisation's highest body. The authors believe that, to this day, Mr Adams continues to be a senior IRA member.

By underlining his close links with the military wing of the republican movement, the authors undercut one version of Mr Adams as an Irish Mahatma Gandhi. This image is perhaps best exemplified by a phrase of Edna O'Brien, the novelist: "Given a different incarnation in a different century, one could imagine him as one of those monks transcribing the gospels into Gaelic."

For a great many Irish people, the authors remind us, it is painful to see Mr Adams fêted as a peacemaker. And yet at no stage does the book fall into the trap of dismissing him as a simple terrorist.

The portrait that emerges is rather of a skilful and calculating politician, who has outmanoeuvred his rivals within the republican movement, and won over enemies from outside it. He has been adept at remoulding the power structure of republicanism in his own image to the extent that the British government now believes it has no alternative but to deal with him.

During the late 1980s and 1990s, he has worked hard at balancing political action with the central IRA tenet that only through violence can Ireland be liberated. The authors argue convincingly that the tactic of publicly drawing a distinction between Sinn Féin and the IRA is fundamentally deceitful. Behind the scenes, Mr Adams has consistently supported a dual strategy to pursue his long-term aim of a united Ireland, including – if necessary – a return to violence.

But his public presentation as a Sinn Féin president dedicated to a political, rather than a military, solution, has enabled him to clear several political hurdles and to broaden his sphere of influence, not least in Washington.

The real test of Mr Adams' credentials as a man of peace has yet to come. It will be the extent to which he is prepared, and capable of, swinging the IRA behind a compromise settlement. Such a deal would necessarily, for the time being at least, fall short of what IRA militants have long been fighting for. And that will be a bitter pill to swallow.

THE OTTAWA TREATY TO BAN LANDMINES. WILL YOUR GOVERNMENT SIGN?

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COMITE INTERNATIONAL GENEVE

INTERNATIONAL COMMITTEE OF THE RED CROSS (ICRC)

LANDMINES MUST BE STOPPED

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'), e-mail: letters.editor@ft.com Published letters are also available on the FT web site, http://www.FT.com Translation may be available for letters written in the main international languages.

An emerging economy's unaffordable luxury

From Mr Vladimir Popov.

Sir, I strongly believe that the overvaluation of the rouble is an unaffordable luxury for Russia (Lex, December 3). It undermines exports and the emerging economic recovery. Russian prices converted into dollars at the official exchange rate are now 70 per cent of the US level.

This is clearly an unsustainable position. They used to be at a level of 10 per cent in 1992, right after the deregulation of prices, they increased to 30-40 per cent in 1993-94 and to 70 per cent in 1995-97. The previously high export growth rates slowed down substantially (from 20 per cent in 1995 to 8 per cent in 1996 and zero in 1997).

Undervaluation of the domestic currency is very common policy for developing countries since they usually need to earn a trade surplus to finance repayment of external debt and capital flight. Unlike mature market economies, most developing countries keep the exchange rates of their currencies low as compared to purchasing power parity rate (actual rate corrected for the differences between domestic and international prices). This allows them to limit consumption and imports and to stimulate exports, investment, and growth.

This used to be the strategy of Japan, Korea, Taiwan and Singapore, when they were still catching up with developed countries. It is currently the strategy of many emerging market economies, especially in east Asia. China continues to keep its exchange rate at an extremely low level (five times lower than the PPP rate) by accumulating foreign exchange reserves (now at record levels).

It is not a coincidence that all fast-growing economies also have high and rapidly growing international reserves. East Asia, including Japan and China, now accounts for a good third of total world foreign exchange reserves. The reserves-to-GDP ratio for these countries is normally above 20 per cent, compared with only 8 per cent for the world as a whole.

Even if Russia succeeds in coping with the current outflow of capital without devaluation until the end of this year, in the longer run it seems inevitable. Delaying the devaluation of the rouble will only result in an Asian-style exchange rate crisis.

Vladimir Popov,
senior research fellow,
World Institute for Development Economics Research,
United Nations University,
Helsinki,
Finland

A fine name for an airport

From Eileen O'Connor.

Sir, Your article "Name one after the 'Gipper'" (December 8) states that a local referendum on renaming Washington National Airport "Reagan Airport", "Gipper Landing" or "Ronald Field" (of course, these are just my suggestions . . .) is likely to be defeated. On the flip side of this controversial issue is the Republican Congress, which would surely like to see this shrine come to pass.

It is no secret that the population of Washington DC is considered to be "transient" in the sense that it is normally dictated by the party in power. Similarly, Congress has a way of changing its own make-up every now and again.

As the pendulum of both Congress and the population at large will surely swing in the opposite direction before Armageddon, may I suggest that the name of the airport remain Washington National Airport? It seems like a rather fine name for an *airport* that is *national* and located in *Washington*.

Eileen O'Connor,
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US

How consultants add value greater than any fee with focus on the client's delight

From Mr Andrew Turner.

Sir, I refer to Ken MacIntyre's letter (November 26) roundly berating consultants and jargon.

The acerbic view of Robert Townsend, former chairman of Avis, that consultants ". . . borrow the client's watch and then tell him the time . . ." is true. It is bound to be, since the principal source of detailed information on a client's business lies within his organisation.

It is the analysis and interpretation of that data that is the key to successful consultancy, with impartial, objective and independent analysis untainted by established preconceptions and cultural influences. By sidestepping the prejudices of established structures, it gives a client a wider range of quality options than would otherwise be available.

That is how consultants add value significantly greater than any fee. Indeed, with their focus entirely on client delight at the end of every commission, some are happy to relate payment to performance. This way the client pays only for the services and results delivered.

The adage "simplify and improve" also applies to the presentation of concepts. Jargon is unnecessary. It is surprising how often the "blindingly obvious" only becomes so when explained simply and clearly.

Andrew Turner,
managing director,
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EU gas industry must force pace of change

From Mr David Varney.

Sir, John Battle, the UK energy minister, should be congratulated for helping to persuade his fellow European energy ministers to begin opening the door to gas market liberalisation, albeit very cautiously ("EU gas market freeing-up welcomed", December 10).

Energy-intensive European companies, facing increasingly tough international competition, are not best served by the caution of EU legislators in this regard.

It is something of an irony that about 10 years ago Sheffield forgemasters challenged the recently privatised British Gas for misusing its monopoly status in pricing gas contracts to industrial customers. What prompted this was the loss of an important contract to an Italian company which was then able to buy cheaper gas.

This led to a reference to the European Court and triggered a process of gas market liberalisation in the UK far more rapid and radical than that now envisaged by the European gas directive.

Significantly, average gas prices for industrial consumers in the UK are now at least a third lower than comparable prices in continental Europe. Recognising this, let us hope that European industry forces a pace which outstrips the tentative programme of the new directive.

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COMMENT & ANALYSIS

FINANCIAL TIMES

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Thursday December 11 1997

At risk in Korea

Only a week after it was assembled, the International Monetary Fund's $57bn rescue plan for South Korea seems to be coming unstuck. Had it done what was intended, the IMF package should by now have stabilised the Korean currency and prompted a resumption of capital inflows which would help the country pay its short-term debts. Instead the won is in free fall, reserves remain perilously close to exhaustion and the risk is growing that private-sector Korean borrowers will end up defaulting on their foreign debt.

The post-mortems must already be starting. Doubtless the markets are overshooting in their pessimism, given Korea's narrowing balance of payments deficit. But the IMF programme does look questionable in seeking to tighten credit in an economy already at risk from slumping demand.

Korea has also failed to deliver. Its stubborn efforts to avoid closing two conspicuously failing commercial banks signal a lack of serious intent to restructure its bloated economy.

More urgent, as the crisis unfolds, is the question of what to do next. The IMF and the industrial countries that contributed to its package must decide whether to commit more money and reinforce their existing approach, or whether to allow a default and concentrate on clearing up the mess.

The risks in the latter approach are large. A default by a Korean bank in the international money market could trigger a contagious loss of confidence, sucking into the crisis banks from a range of emerging nations and exacerbating concern over Japanese banks. The consequences for the financial system would be severe.

Yet it is difficult to see what can now be done to restore market confidence in Korea, especially given the approaching presidential elections. Accelerating the disbursement of the funds already committed in the IMF package might lance the immediate problem. Confidence will not be restored, however, while the government dithers about reform.

Had it closed Korea First and SeoulBank and taken over their foreign liabilities, the market might have believed genuine restructuring was on the way. But having disappointed yet again, Seoul will have to work harder still to prove it accepts the need for structural change.

As long as it ducks that challenge, the more governments and central banks will have to consider how to shore up the system as a whole. The central banking fraternity must stand ready to deal with the possibility of serious problems in the interbank market spreading from Korea.

Eastward ho!

Eight years after the revolutions in eastern Europe, the EU is almost ready to negotiate entry terms with some of the states that then threw off the communist yoke. At Luxembourg this weekend leaders of the existing 15 members will formally name the states chosen for this honour – Czech Republic, Estonia, Hungary, Poland, Slovenia, along with Cyprus – while doing their best not to discourage those who, for the moment, will be asked to wait on the doorstep.

This differentiated approach has not been without its critics. Several governments argued for a "regatta", with all candidates starting negotiations at once and each reaching the finishing line as and when it could. But that would have been a messy procedure, producing a series of separate accession treaties, all requiring ratification in every member state. In the end it makes more sense to select a group of states with a reasonable hope of concluding negotiations within two or three years. This procedure also has the merit of rewarding those states which have shown the greatest courage and stamina in undertaking necessary reforms.

Yet it would also be quite wrong to focus all the EU's efforts in the next few years on these favoured candidates, leaving the others to fall farther and farther behind. This would be unjust, since the difference in readiness is one of degree not of kind. Bulgaria, Latvia, Lithuania and Romania may have been slower to embark on reforms than the favoured five, but they have now done so, and are entitled to expect help in catching up.

To neglect them would also be unwise, since the stability of central Europe can only suffer if new divisions open up within the region. For the same reason Slovakia, however unsatisfactory its current politics, must not be cast into outer darkness. On the contrary, contacts with it should be cultivated, so that the elements in Slovak society which uphold democratic values, rejecting the populism and ethnic exclusivism of the present leadership, do not feel abandoned to their fate.

The same logic must apply to Turkey. There are many good reasons why it would not make sense to open membership negotiations with Turkey next year, as the present Turkish government is itself realistic enough to admit. But Turkey, an associate member of the EU since 1963, can hardly be expected to help smooth Cyprus's path to membership if denied the right to be judged by the same criteria itself in due course. Worse, to exclude any state on *a priori* grounds of culture or religion would betray the EU's own principles.

Australian guilt

Political leaders under pressure to project a more resolute, macho image are always in danger of making mistakes. So it is with John Howard, Australia's prime minister. His row with the country's senate over the land rights of native aboriginals seems to be pushing the country towards an early general election with damaging consequences for Australia's international standing.

After the immigration controversy created by Pauline Hanson, an independent member of parliament, Australia cannot afford a campaign that might inflame racial tensions. Its laudable efforts to build closer economic and political links with Asian neighbours could be badly damaged. At home the campaign would create painful divisions between urban and rural voters as well as between black and white.

Settling the issue of native land rights is undoubtedly a crucial task. Like New Zealand, Australia is struggling with collective guilt over past injustices towards its indigenous population. But this is just one more reason for trying to settle the issue by compromise and general agreement rather than by confrontation.

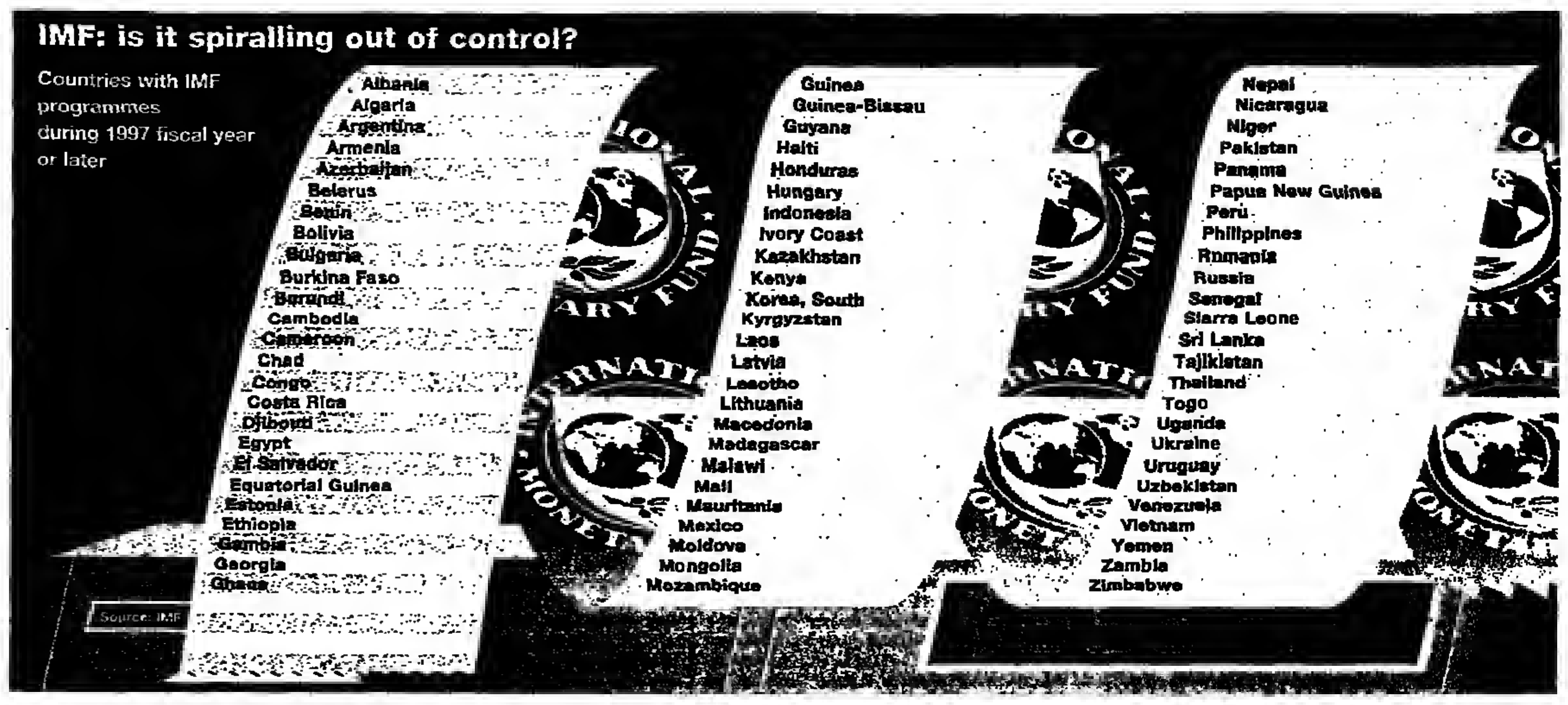
Some legislative response was inevitable after last year's so-called Wik case, in which the high court decreed that native title rights could co-exist with farmers' grazing leases. The judgment created great uncertainty over precedence, not only in the rural economy but also among Australia's mining companies, whose activities could also conflict with native title.

The senate's failure to pass Mr Howard's subsequent legislation setting out the limits on native rights would not matter less if the prime minister had not foolishly insisted that it be passed intact. Now that his proposals have passed the lower house a second time, the senate must agree to the bill within three months. Otherwise, the constitution allows Mr Howard to dissolve both houses and call a general election.

Tactically there may be an advantage for him to do so. He is trailing in the polls and must go to the country in 1999 anyway. An election caused by his unyielding stance on native title rights could ensure that he retains important seats in rural Queensland and Western Australia, which the opposition Labour party needs to win to unseat his coalition.

But such an outcome is by no means certain, and the price looks high when the possibility of compromise remains. The differences between Mr Howard and the finely balanced senate are bridgeable. With a dose of goodwill and careful negotiation, Australia could have a workable solution to the problem. If he could deliver this, Mr Howard might acquire a reputation for statesmanship that could impress the voters.

Personal View · Jeffrey Sachs



Power unto itself

In this article, the head of the Harvard Institute for International Development explains why the IMF needs reassessment

It is time that the world take a serious look at the International Monetary Fund. In the past three months, this small, secretive institution has dictated economic conditions to 350m people in Indonesia, South Korea, the Philippines, and Thailand. It has put on the line more than $100bn of taxpayers' money in loans.

These bailout operations, if handled incorrectly, could end up helping a few dozen international banks to escape losses for risky loans by forcing Asian governments to cover the losses on private transactions that have gone bad. Yet the IMF decisions have been taken without any public debate, comment, or scrutiny.

While it pays lip service to "transparency", the IMF offers virtually no substantive public documentation of its decisions, except for a few pages in press releases that are shorn of the technical details needed for a serious professional evaluation of its programmes. Remarkably, the international community accepts this state of affairs as normal.

The world waits to see what the Fund will demand of country X, assuming that the IMF has chosen the best course of action. The world accepts as normal the idea that crucial details of IMF programmes should remain confidential, even though these "details" affect the well-being of millions. Staff at the Fund, meanwhile, are unaccountable for their decisions.

The people most affected by these policies have little knowledge or input. In Korea, the IMF insisted that all presidential candidates immediately "endorse" an agreement they had no part in drafting or negotiating – and no time to understand.

The situation is out of hand. However useful the IMF may be to the world community, it defies logic to believe that the small group of 1,000 economists on 19th Street in Washington should dictate the economic conditions of life to 75 developing countries with around 1.4bn people.

These people constitute 57 per cent of the developing world outside China and India (which are not under IMF programmes). Since perhaps half of the IMF's professional time is devoted to these countries – with the rest tied up in surveillance of advanced countries, management, research, and other tasks – about 500 staff cover the 75 countries. That is an average of about seven economists per country.

One might suspect that seven staffers would not be enough to get a very sophisticated view of what is happening. That suspicion would be right. The IMF threw together a draconian programme for Korea in just a few days, without deep knowledge of the country's financial system and without any subtlety as to how to approach the problems.

Consider what the Fund said about Korea just three months ago in its 1997 annual report. "Directors welcomed Korea's continued impressive macroeconomic performance [and] praised the authorities for their enviable fiscal record." Three months ago there was not a hint of alarm, only a call for further financial sector reform – incidentally without mentioning the *chaebol* (conglomerates), or the issue of foreign ownership of banks, or banking supervision that now figure so prominently in the IMF's Korea programme.

In the same report, the IMF had this to say about Thailand, at that moment on the edge of the financial abyss. "Directors strongly praised Thailand's remarkable economic performance and the authorities' consistent record of sound macroeconomic policies."

With a straight face, Michel Camdessus, the IMF managing director, now blames Asian governments for the deep failures of macroeconomic and financial policies that the IMF has discovered. It would have been more useful instead, for the IMF to ponder why the situation looked so much better three months ago, for therein lies a basic truth about the situation in Asia.

There is no "fundamental" reason for Asia's financial calamity except financial panic itself. Asia's need for significant financial sector reform is real, but not a sufficient cause for the panic, and not a justification for harsh macroeconomic policy adjustments. Asia's fundamentals are adequate to forestall an economic contraction: budgets are in balance or surplus, inflation is low, private saving rates are high, economies are poised for export growth.

Asia is reeling not from a crisis of fundamentals, but from a self-fulfilling withdrawal of short-term loans, one that is fuelled by each investor's recognition that all other investors are withdrawing their claims. Since short-term debts exceed foreign exchange reserves, it is "rational" for each investor to join in the panic.

Without wider professional debate, the IMF has decided to impose a severe macroeconomic contraction on top of the market panic that is already roiling these economies. Consider the Korea programme (or at least those parts that have been announced to the public). The won has depreciated by around 80 per cent in the past 12 months, from around 840 a dollar to a record low of 1,565 yesterday; this currency depreciation will force up the prices of traded goods. Yet despite that, the IMF insists that Korea aim for an essentially unchanged inflation rate (5.2 per cent in 1998, in comparison with 4.2 per cent in 1997). To achieve unchanged low inflation in the face of a huge currency depreciation, Korea will need a brutal monetary squeeze. And indeed this is just what the Fund has ordered. Short-term interest rates jumped from 12½ per cent to 21 per cent upon the signing of the programme, and have since risen further.

The Fund argues that these draconian monetary measures are "to restore and sustain calm in the markets" and "[to] demonstrate to markets the government's resolve to confront the present crisis". It is hard to see how recessionary monetary policy will restore calm. Indeed the panic has so intensified since the signing of the agreement that Korean banks may now be on the verge of outright default. Just one day after the measures were unveiled, the 11th largest conglomerate declared bankruptcy when Korean banks abruptly refused to roll over its short-term debts. In recent days more well-known local companies have gone under.

In addition to the rise in interest rates, the IMF is insisting that fiscal policy be tightened by 1-1½ per cent of GDP. On top of this, the IMF required that 9 out of 30 merchant banks suspend operations. The IMF is aiming for Korean growth to fall to 2.5 per cent in 1998 from 6 per cent in 1997. But the projected slowdown may turn out to be the least of Korea's worries by next year, since the underlying macroeconomic measures could easily push the economy into outright contraction. None of this overkill makes sense for an economy that was (rightly) judged to be pursuing sound macroeconomic policies just months earlier.

A better approach would have been for the IMF to stress the strengths rather than the weaknesses of the Korean economy, thereby calming the markets rather than further convincing them of the need to flee the country. Months ago, when the financial crisis began, the Fund could have quietly encouraged Japan, the US and Europe to provide some credit support to the Bank of Korea. It might well have worked with the major banks to encourage them to roll over their short-term debts without inflaming the panic. With appropriate confidence-building measures, Korea could probably have got by with a modest slowdown in growth, no credit crunch, and a realistic time horizon of a few years to complete its needed financial reforms.

In more than six dozen developing countries, the IMF is in a position to choose make-or-break financial policies. While its instincts are often correct, they can sometimes be wrong, with serious consequences.

In recent years, the IMF mishandled the Russian reforms (for example, by insisting for more than a year that all 15 successor states to the Soviet Union share a common currency, thereby delaying stabilisation and undermining the political support for reforms). In Bulgaria, the IMF signed a programme in July 1996 based on 2.5 per cent growth and 20 per cent inflation in 1997. Instead, Bulgaria has suffered an outright collapse of gross domestic product of more than 10 per cent, and inflation in the hundreds of per cent. The IMF (in common with others) failed to foresee the Mexico crisis in 1994, and the Asian crises in 1997.

Three general conclusions can be reached. First, the IMF is invested with too much power: no single agency should have responsibility for economic policy in half the developing world.

Second, the IMF's executive board should do its job of overseeing the staff, rather than simply rubber-stamp the staffs' proposals. It is high time the board consult outside expertise in the exploratory stages of IMF operations; it should also canvas international opinion about the origins and policy implications of the Asian crisis.

Third, IMF operations should be made public, so that professional debate and review can help ensure the highest possible professionalism of the institution, especially since (for all its faults) the Fund will surely continue to play an important role for many years in the future.

· OBSERVER ·

Whole hill of beans

■ Michael Sutton is about as important as bean-counters come. So the announcement that the US Securities and Exchange Commission's chief accountant is stepping down next month – "to pursue personal business interests" – has stirred up plenty of interest.

It's not just American accounting types who should take note of who replaces the tough-talking Sutton. Despite being a staunch defender of US financial reporting, he's been open-minded enough to back Sir Bryan Carsberg's ambitious project to harmonise world stock market accounting requirements.

The crunch comes next year, when the SEC passes judgment on Sir Bryan's standards. Sutton won't be around to have his say. But the views of his successor will certainly count.

Sutton this week won full praise from SEC chairman Arthur Levitt for helping to secure "sound markets" by fighting for fair and rigorous accounting standards. Some bruised opponents might say that, on occasion, he fought a bit too hard.

Among other things, the former Deloitte & Touche partner was behind the creation of the Independence Standards Board – a body designed to make sure auditors remain independent.

With the Big Six accountancy firms trying to push through global mergers, it's a watchdog that could soon have something to bark about.

Ring the changes

■ So who's going to emerge at the helm of Greek telecoms operator OTE? Socialist government placeman and former party treasurer Petros Lambrou stepped down as chief executive last month, on the orders of prime minister Costas Simitis; he now faces the thankless task of reforming the loss-making Agricultural Bank.

To reassure OTE's international shareholders – the company is 20 per cent privatised – headhunters Egon Zehnder were asked to find a top telecoms manager from abroad. But no suitable candidates could be found; the choice is now between two in-house candidates, both academics with strong Socialist party links.

The prime minister's man is George Chryssolouris, an affable former MIT teacher who sits on OTE's board. His rival is the reclusive Christos Kazantzis, who earned his PhD in Britain and runs OTE's finance department. He is backed by influential economy minister Yannos Papantoniou.

A decision by a special cabinet committee is already 10 days overdue. But it is a ticklish problem. Chryssolouris knows more about telecoms, but Kazantzis knows more company – and party – secrets.

Bit cross

■ France's political cohabitation continues to turn up strange situations. Jacques Chirac, the Gaullist president, used yesterday's cabinet meeting to lay into "his" leftwing government's proposals for a 35-hour working week. He then calmly walked into an adjoining room in the Elysée Palace to decorate Socialist prime minister Lionel Jospin with the Grand Cross of the National Order of Merit. Apparently PMs traditionally pick up the gong when they've clocked up six months in office. So much for Chirac's desire to create a meritocratic honours system.

Fly with me

■ Tour guides from Los Angeles and Bangkok should start learning Hungarian. Hordes of Magyar pensioners are about to descend thanks to an initiative by the country's wily prime minister Gyula Horn.

The PM announced in cavalier fashion this week that pensioners would get free travel on the state railways, inter-city buses and – fasten your set belts – the off-season flights of national flag carrier Malev. The airline has since been deluged with enquiries from over-65s eager to see New York's JFK; never mind that their pensions would barely cover the cost of a subway ticket downtown.

Malev booking clerks are responding cautiously with warnings that the PM jumped the gun – the deal hasn't been finalised. But Horn usually gets his way. And with elections less than six months away, he'll be thinking about the long haul.

Not so warm

■ When negotiators in Kyoto insisted that a deal would be struck by last night, no one really believed them. Travel agents were overwhelmed with delegates trying to re-schedule flights to allow for the conference running over.

But the deadline wasn't just self-imposed: the Kyoto international conference centre is booked from this morning by another convention. With cleaners waiting in the wings, the negotiators had to come to a conclusion – or continue haggling out in the icy chill of a Japanese winter.

Financial Times

100 years ago

Serves Them Right
We are glad to find that the Klondyke Gold Mining and Trading Company – which, as our readers will remember – is mixed up in some mysterious way with the London and South-Eastern Bank – is finding a good deal of difficulty in securing subscriptions of capital. Prospectuses have been going around for some weeks, and yet only something about £16,000 has been subscribed out of £100,000. The indifference of the public has necessitated the issue of an imitation type-written letter in which the secretary expresses the belief that a perusal of the prospectus "will convince you that we are offering a most excellent investment." We think we have heard this phrase before.

50 years ago

Canadian Gold Mining
Ontario and Quebec gold mining operators have informed the Dominion Government that they consider the minimum assistance required to maintain the industry is approximately $7 for all gold produced instead of that amount for new production only, as the Government has offered.

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FINANCIAL TIMES
Thursday December 11 1997

brother
PRINTERS
FAX MACHINES

GM returns to S Africa with investment in Delta

By Haig Simonian in London and Mark Ashurst in Johannesburg

South Africa yesterday passed a milestone in its economic rehabilitation with the return of the world's biggest car company as s direct investor.

General Motors of the US is to buy 49 per cent of Delta Motor, the vehicle assembler formed from a management buy-out of its South African subsidiary in 1986.

The US group declined to reveal any financial details of the deal, beyond saying that it had an option to acquire "additional equity" in the future.

"GM has been impressad with the political and economic transformation in South Africa as well as the strong potential for growth in the automotive markat," said Louis Hughes, head of GM's international operations.

The group said it would try to improve productivity at Delta, which assembles Astra and Corsa cars, as well as Isuzu trucks and vans from Japan. Future projects could include exporting parts and vehicles as Delta becomes integrated into GM'a sales and supply network.

The deal marks an unexpected leap in GM's international expansion to a new continent. The group is building factories in Argentina, Poland, Thailand and China to capture sales in developing markets.

In spite of relinquishing control in 1986, GM retained personal and business links with Delta, South Africa's third biggest vehicle maker by sales.

GM's move follows similar investments by other carmakers. Although South Africa has fewer than 100 vehicles per 1,000 inhabitants – compared with an average 400 per 1,000 in Europe – it has seven domestic carmakers.

Helped by high tariffs, they operated successfully as independent licensees during the isolationist apartheid years. But as trada barriers fall, the local assemblers have sought ties with international parents.

Import duties fell from 125 per cent in 1994 to about 60 per cent and will drop to 40 per cent by 2002. That has encouraged a number of importers, such as Volvo, Saab, Hyundai and Daewoo, to open dealerships. The rise in imports has prompted locally-based carmakers to restructure.

However, the established market and a high brand loyalty among buyers have convinced many carmakers that their historic invastmants in South Africa are worth protecting.

Toyota South Africa is investing R1.4bn ($287m) over five years, while BMW will spend R1bn to modernise and expand. Meanwhile, Nissan Diesel and Mitsui are injecting R37.5m and R75m respectively into Nissan South Africa.

China and India may delay agreement on climate treaty

By Leyla Boulton and Bethan Hutton in Kyoto

Late resistance from China and India was last night threatening to hold up the agreement on a global treaty to combat climate change.

The compromise treaty, which is in the final hours of negotiations at the world conference on climate change in Kyoto, would impose a legally-binding target on industrialised countries for a 6 per cent reduction in greenhouse gas emissions by 2010. The most important greenhouse gas is carbon dioxide from fossil fuel consumption.

It would create an unprecedented regime for trading emissions targets between industrialised countries and developing nations that embraced curbs on the growth in their emissions. Technology would be transferred to developing nations to enable them to expand in a more climate-friendly manner.

Companies in the industrialised world would be able to exceed domestic emission targets by buying permits from other companies or governments that have not used up their allowance – in effect investing in emission reductions abroad.

The 10-day negotiations entered their final phase after the European Union, the US, and Japan resolved differences over emission targets for developed nations. They compromised by agreeing to extend the scope of a treaty to six greenhouse gases from three initially proposed by the EU and Japan.

"We are at a historic juncture," Stuart Eizenstat, the chief US negotiator, told delegates as they sought to hammer out agreement on the document. "We have the opportunity to ... demonstrate to the world, as we have been admonished to do, that once and for all the developed world is ready to meet this historic challenge by agreeing legally-binding reductions."

But China and India last night threatened to torpedo the talks by opposing provisions for emissions trading. They argued trading might allow rich countries to continue growing at their expense without reducing overall emissions. Mr Eizenstat said the US needed emissions trading in order to carry out its obligations under the treaty.

The US has also angered developing nations at the conference by demanding they play a "meaningful" role in tackling climate change. The US Senate has gone further by threatening to veto any deal that does not include matching commitments for the country's fast-growing economic rivals.

The treaty must be approved by a consensus of nations.

Observer, Page 11

Russian markets shaken by Yeltsin's ill-health

By Chrystia Freeland in Moscow

Russia's fragile markets were shaken yesterday when the Kremlin announced that President Boris Yeltsin had contracted an "acute respiratory viral infection" and would be confined to a sanatorium for nearly two weeks.

Kremlin officials sought to play down the Russian leader's illness, insisting that Mr Yeltsin was suffering from nothing more serious than a cold and would be able to continue working during his 10- to 12-day stay in the sanatorium outside Moscow.

But the 66-year-old leader's history of health problems, including a quintuple heart bypass operation just over a year ago, and his erratic behaviour on a visit last week to Sweden meant that his sniffles threatened to infect the Russian financial world.

Russian debt prices fell and the stock market dropped by nearly 5 per cent yesterday, partially wiping out this month's 18 per cent recovery in Russian shares.

Officials said Mr Yeltsin had caught a cold on his Swedish visit and was running a slight fever. "The doctors do not exclude influenza developing and have recommended a stay in a sanatorium," an official said.

Over the past 18 months, during which Mr Yeltsin suffered a heart attack in the middle of the 1996 presidential election campaign, the Kremlin has sometimes been economical with the truth about the president's health.

That ambivalent track-record, together with the huge power vested in the presidency, means Mr Yeltsin's condition will be closely scrutinised. Key days will be Friday, when officials said he was expected to deliver his weekly radio address, and Sunday when he might vote in elections to the Moscow city council.

US president Bill Clinton said he saw no reason for concern and wished his Russian counterpart a swift return to health.

Despite the market jitters, two of the largest Russian companies also insisted that they were confident Mr Yeltsin would soon return to the Kremlin.

"On Friday [when Yeltsin persuaded parliament to pass the budget] the president did his duty," said Boris Brevnov, chairman of Unified Energy Systems, Russia's second largest company. "Now he deserves a rest." Menatep, one of Russia's largest industrial groups, said: "The president's health problem will not end the improving trend in the Russian economy."

Power sale

Continued from Page 1

and a refit of plants to reduce air pollution.

The company has expanded rapidly since its formation in 1984, with plants worth about $5bn worldwide. In October, it signed deals to build generating plants in China, the Philippines and Tunisia.

The Massachusetts plants to be operated by Sithe will generate 2,800MW of electricity.

The sale is subject to state and federal regulatory approval and is set to close in the first quarter of next year.

Commission seeks delay

Continued from Page 1

scientists also suggested that the SRM ban could be applied to animals of less than six months. Ian Gardiner, policy director of the National Farmers' Union of England and Wales, said of the scientists' report: "It is impossible to assess what is the true risk. I wouldn't get out of bed if I listened to these people."

Meanwhile, William Hague, Tory leader, last night announced that his party would vote against the UK government's plan to ban beef on the bone, claiming ministers had "over-reacted" to new scientific advice.

Final decisions on any additions to the SRM changes will be decided by member countries. The European Commission yesterday called for a further report by the scientists by the end of next month.

The committee also gave qualified backing for a scheme to allow the UK to resume exports of beef following the worldwide ban imposed in March last year, although an immediate lifting of the embargo is not in prospect.

THE LEX COLUMN

Self-immolation

South Korea has only itself to blame for the renewed crisis that has hit its financial markets. While the government has taken the International Monetary Fund's cash and promised to swallow the IMF's medicine, its actions this week signal that nothing has really changed.

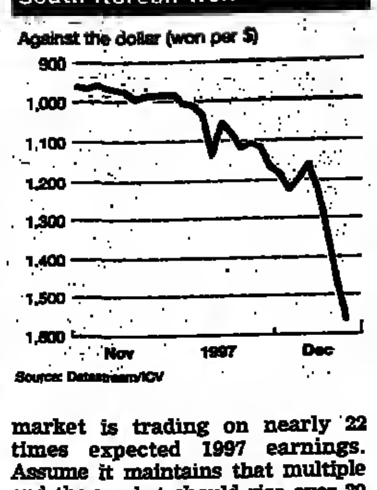
By nationalising two tottering banks instead of letting them go bust, and subsidising Daswoo'a takeover of the ailing Ssangyong Motors, the government has made clear that it still opposes the painful but essential restructuring of the private sector. On top of that, it seems to have been less than forthright about the level of Korea's short-term debt, now thought to be twice as high as original estimates at more than $100bn. Investors have drawn their own conclusions, pushing the won to a new low against the dollar.

It is difficult to see an easy way out of this impasse. To repay its short-term borrowings, Korea urgently needs foreign capital, which will be much more expensive than its previous borrowings. Limited reforms, such as opening the stock and bond markets to foreigners, are just a small step towards restoring investor confidence.

As a last resort, the IMF could pump in more money, though it is staggering to think that last week's record $57bn package may not be enough. But what is really needed is wholesale rationalisation of the financial and corporate sectors. Until the politicians overcome their fear of a popular backlash and accept this, Korea remains a market to be avoided.

FTSE Eurotop 300 index: 976.6 (-11.4)

South Korean won



US earnings

Pour half a glass of wine. The analyst will say it is half-full; to the strategist it is half-empty. Equity strategists, who compose earnings forecasts for the wbola market, have always tended to be more pessimistic than the industry analysts who follow individual companies.

What is surprising is how wide this gap has become on Wall Street. According to the data collectors First Call and I/B/E/S, US equity strategists expect average earnings growth of 7 per cent in 1998 and 5-7 per cent a year thereafter. In contrast, aggregating the bottom-up forecasts of the industry specialists produces a merry 15 per cent growth for every year into the foreseeable future.

This difference has serious implications for investors. The US stock market is trading on nearly 22 times expected 1997 earnings. Assume it maintains that multiple and the market should rise over 30 per cent by the end of 1999 if the analysts are correct, but by less than 10 per cent if you believe the strategists.

Over the past six years the optimists have been closer to the mark, with US earnings growth averaging an impressive 16 per cent a year. But that is beginning to change. An expanding list of US companies, from Oracle to Tenneco and J.P. Morgan, has warned of problems in Asia and s slowing domestic economy. Since strategists are quicker to incorporate such macro-events into their forecasts, the betting must now be thet the bottom-up folk are out of line. That is hardly cheerful news for equities.

Christie's

A mysterious potential takeover bid has turned the tables on Christie's. Shares in the venerable auction house have lespt almost 20 per cent in the last week on hopes thet the company will prove as adept in selling itself as in hawking the *objets d'art* of the rich and well-born. While the provenance of the bid is unclear, a central figure will be Joe Lewis, the wealthy businessman who owns a 30 per cent stake.

Recent changes to the way leading auction houses compete for the biggest sales, such as guaranteeing vendors a fixed sum even if the auction flops, have made large cash reserves essential for running the business. For this reason, a private individual with deep pockets, such as Alf Taubman, the American shopping mall tsar who owns Sotheby's, could be a better owner than diverse shareholders demanding high returns on capital.

A bid would be well-timed, with shares before the bid speculation depressed by fears that European Union tax and copyright regulations might erode London's position as an entrepôt. The recent downturn in Asian markets, which were expected to provide substantial sales growth, has also hit the shares hard. However, since auction houses historically trail the cycle by a couple of years, even the bearish can expect high-rollers to swell Christie's earnings for some time yet. Nevertheless, with tha shares now trading at around 23 times 1996 earnings and 19 times 1997 earnings, only real bulls should be dissatisfied with an offer at the current share price.

Railtrack

To judge from yesterday's 8 per cent fall in the ahare price, the rail regulator's announcement of a review of how Railtrack levies access charges to passenger train operators has hit a raw nerve with investors. But this looks like an overreaction to what is, after all, only the start of a two-year consultation process that will see much mud-slinging before the review is completed.

What most surprised Railtrack investors, and delighted those train-operating companies that stand to gain most from harsher regulation of the trsck owner, was the regulator's gusto in launching the review.

The review is clearly aiming for a more holistic treatment of Railtrack than was attempted in 1994. Whereas the overriding priority then was to ensure Railtrack had sufficient revenues from the operating companies, the focus now is on identifying an appropriate return for Railtrack shareholders. For that reason, the review will also examine the way Railtrack accounts for property profits and who benefits from any savings on track maintenance costs.

That this will entail using broadly the same methodologies as deployed by regulators in other industries should provide the market with a rare degree of certainty. It is now up to Railtrack to argue that its involvement in large construction projects, such as Thameslink 2000, justifies a superior rate of return than that allowed to other regulated utilities.

This announcement appears as a matter of record only

AlliedSignal

Acquisition

of

HOLT LLOYD GROUP LIMITED

The undersigned initiated the transaction and acted as financial adviser to AlliedSignal Inc.

HSBC Investment Bank plc
Member HSBC Group

HSBC Investment Bank plc
Vintners Place, 68 Upper Thames Street, London EC4V 3BJ

November 1997

Regulated by SFA.

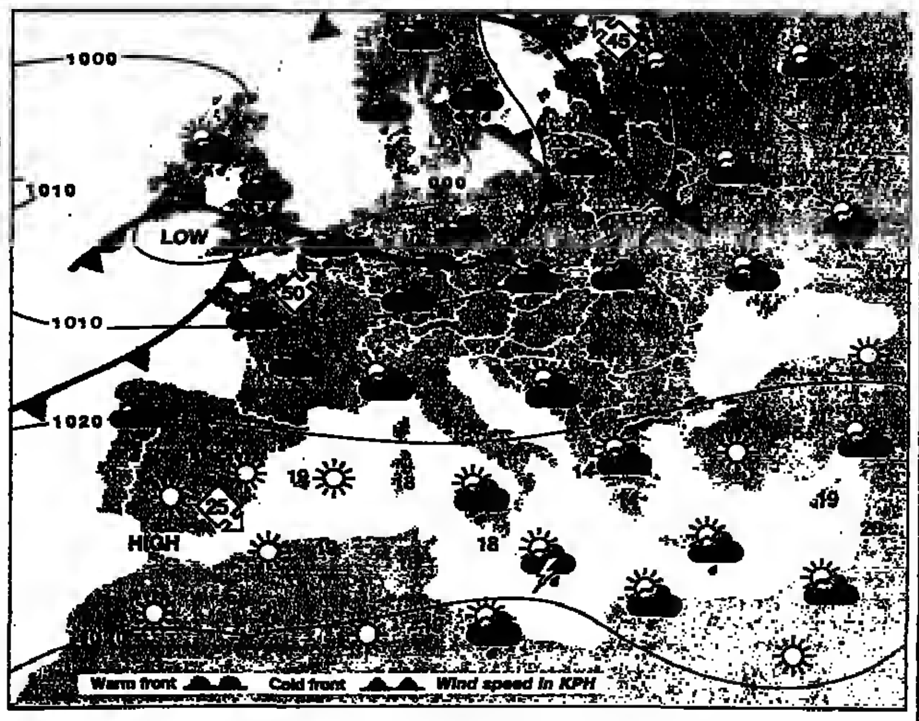
FT WEATHER GUIDE

Europe today

Southern Scandinavia will have rain, heavy at times, while northern areas will have snow flurries. Eastern Europe will also have wintry showers but will be a lot colder. The Low Countries, Germany, Austria, Switzerland and France will be mostly cloudy with rain, heavy in many parts. Spain and Portugal will have rain in the north-west edging a little east but most southern and eastern parts will be dry with plenty of unhindered sunshine. Central and western parts of the Mediterranean will have sunny spells and a few showers.

Five-day forecast

The Mediterranean will become unsettled with showers becoming heavy and prolonged, especially in central and eastern parts. Eastern Europe will remain cold with further snow in many parts. Western Europe will be mainly settled with some sunshine in many places but also an increasing risk of fog.



TODAY'S TEMPERATURES

Situation at midday. Temperatures maximum for day. Forecasts by PA WeatherCentre

	Maximum/	Beijing	Sun 3	Cardiff	Shower 12	Frankfurt	Rain 6	Madrid	Cloudy 11	Rangoon	Fair 34
	Celcius/	Belfast	Rain 8	Casablanca	Fair 20	Geneva	Rain 8	Majorca	Fair 19	Reykjavik	Rain 3
Abu Dhabi	Cloudy 22	Belgrade	Cloudy 3	Chicago	Snow 1	Gibraltar	Sun 20	Malta	Shower 18	Rio	Thunder 29
Accra	Sun 30	Berlin	Shower 10	Cologne	Shower 11	Glasgow	Rain 3	Manchester	Rain 11	Rome	Cloudy 15
Algiers	Fair 18	Bermuda	Shower 25	Dakar	Fair 27	Hamburg	Rain 10	Manila	Thunder 29	S. Frsco	Sun 17
Amsterdam	Rain 12	Bogota	Thunder 20	Dallas	Fair 3	Helsinki	Rain 3	Melbourne	Fair 27	Seoul	Sun 1
Athens	Fair 14	Bombay	Sun 29	Delhi	Fair 24	Hong Kong	Fair 17	Mexico City	Cloudy 25	Singapore	Thunder 29
Atlanta	Fair 9	Brussels	Shower 12	Dubai	Cloudy 24	Honolulu	Fair 26	Miami	Thunder 29	Stockholm	Rain 6
B. Aires	Thunder 27	Budapest	Shower 5	Dublin	Rain 9	Istanbul	Fair 9	Milan	Cloudy 9	Strasbourg	Rain 11
B.ham	Rain 12	C.hagen	Rain 8	Dubrovnik	Fair 14	Jakarta	Thunder 28	Montreal	Fair -3	Sydney	Fair 25
Bangkok	Fair 34	Cairo	Fair 20	Edinburgh	Shower 3	Jersey	Rain 13	Moscow	Snow -5	Tangier	Fair 19
Barcelona	Fair 13	Caracas	Fair 31	Faro	Cloudy 10	Johannesburg	Fair 25	Munich	Rain 10	Tel Aviv	Shower 20
						Karachi	Fair 27	Nairobi	Thunder 25	Tokyo	Rain 8
						Kuwait	Fair 22	Naples	Fair 16	Toronto	Fair -1
						L. Angeles	Sun 25	Nassau	Fair 28	Vancouver	Rain 6
						Las Palmas	Sun 24	New York	Rain 6	Venice	Cloudy 9
						Lima	Cloudy 27	Nice	Fair 15	Vienna	Rain 8
						Lisbon	Shower 13	Nicosia	Shower 18	Warsaw	Rain 6
						London	Rain 14	Oslo	Rain 4	Washington	Cloudy 9
						Lux.bourg	Rain 10	Paris	Rain 14	Wellington	Cloudy 16
						Lyon	Shower 13	Perth	Fair 27	Winnipeg	Fair -7
						Madeira	Shower 21	Prague	Rain 8	Zurich	Rain 9

We wish you a pleasant flight.
Lufthansa

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FINANCIAL TIMES
COMPANIES & MARKETS
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INSIDE

Task lies ahead for Swiss banks

The merger of Swiss Bank Corporation and Union Bank of Switzerland will create a "strong and profitable platform in the US", according to management. The merged investment banking business, Warburg Dillon Read, now faces the challenge of establishing itself on an equal footing with the top domestic investment banks in the world's largest capital market. Page 16

Freeport Copper & Gold to cut dividend

The fall in gold and copper prices has forced Freeport Copper & Gold, the US group, to cut its dividend payout by more than $100m. James Moffett (left), Freeport chairman, described the move as "prudent" and said it would allow the company to maintain its exploration programme. Freeport is the second big US miner to make such a move following last month's decision by Newmont Gold to cut its quarterly dividend from 12 cents to 3 cents. Page 22

Yen rallies as Tokyo threatens action

The yen rallied again as Tokyo officials threatened to intervene in foreign exchange markets to support their currency. Rumours that Japan would produce a Y10,000bn ($77.5bn) package to help its banks also helped the yen move clear of the Y130 level against the dollar. Page 21

Land Rover to invest $150m in Brazil

Land Rover, the off-road vehicles subsidiary of the UK's Rover group, is to make its biggest foreign investment since being taken over by BMW of Germany in 1994. It will spend $150m to assemble its workhorse Defender model in the São Paulo state of Brazil. Page 14

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)				**Falls**			
Rises				Behaviour Comm	1.35	−	3.15
Buderus	847	+	38.5	Cognos	29.05	−	2.80
Deutsche Babck	108	+	8	Elk Point	7.75	−	0.75
Prosieben Med	83	+	3	**PARIS (FFr)**			
Falls				**Rises**			
Linotype Hl	63	−	4	Carbone Lrme	1837	+	187
Kiekert	80	−	3.5	Sidel	401	+	35.7
SAP	528.5	−	27	Sligos	836	+	65
NEW YORK ($)				**Falls**			
Rises				Girodet	24.4	−	2.6
Ind Natuzzi	22½	+	2½	Procedo	21	−	3
Falls				Saint Avions	179.9	−	51.1
Bay Network	24⅛	−	2⅞	**TOKYO (Yen)**			
Compuware	31	−	4⅞	**Rises**			
Excel Comm	14⅛	−	4⅝	JEOL	500	+	36
FRPRT-MCM	16½	−	3⅝	Lg Term Cred	260	+	29
Hambrecht	38⅞	−	3¼	**Falls**			
LONDON (Pence)				Amada Co	525	−	39
Rises				Green Cross	286	−	25
Christies Intl	306	+	31	Nikon Corp	1450	−	60
Q Group	64½	+	11	Okamura-Sumi	320	−	40
RJB Mining	180	+	20	**HONG KONG (HK$)**			
Falls				**Rises**			
HSBC (75p)	1820	−	83	Wiscar Ind	1.93	+	0.01
Orange	280	−	9	**Falls**			
Railtrack	995	−	84	Cathay Pac	7	−	0.15
TORONTO (C$)				Cosco Pac	6.90	−	0.45
Rises				HK & China Gs	14.10	−	0.55
Aleworth Lumb	2.75	+	0.54	Shanghai Intl	23.50	−	2.10
Pan Am Silver	14.50	+	1.35	TVB	22.70	−	1.30
Prime RSCS	8.65	+	0.95				

New York & Toronto prices at 12.30. Bangkok closed.

AEA drops bid for Corning arm

Asian turmoil cited as reason for withdrawal

By William Lewis in New York

Corning, the US-based manufacturer, yesterday announced the latest twist in its attempt to sell off its household product business when it was disclosed that AEA Investors, a private investment group, had withdrawn its bid for the operation.

AEA said its decision was based on concerns about the impact of the turmoil in Asian markets on consumer product sales next year.

It also cited "sales softness" in the business in the current quarter as another reason for its decision.

In May, Corning announced plans to sell off its consumer business – which includes brands such as Pyrex and Corning Ware – and in August said it had accepted a $975m cash offer from AEA for 91 per cent of the division.

However in October, Corning said it had amended the terms of the sales agreement with AEA to reflect elower bousebold product sales in the third quarter and a reduction in the forecast of earnings growth rate in 1998.

Corning said it had agreed to receive $779m in cash plus $21m in long-term debt. Corning would also receive up to an additional $62m of long-term debt if performance targets were met.

Yesterday Corning said the consumer housewares division was still up for sale and that Goldman Sachs, its investment banking adviser, would be soliciting for new bids.

Roger Ackerman, chairman and chief executive officer of Corning, insisted yesterday that its household products business was "very healthy", with year to date operating profits up over 50 per cent.

He added: "Corning's strategic reasons for the sale of its consumer housewares business remains valid and Corning will consider its alternatives with respect to the business, including pursuing a sale to other financial buyers."

Corning's consumer business division made sales of $630m in 1996, of which 10 per cent came from Asia. Corning stressed that AEA's concerns centred on the impact turbulence in the Asian markets is likely to do to next year's sales rather than this year. "They had seen Asia as contributing future upside potential," the spokesman said. AEA declined to comment.

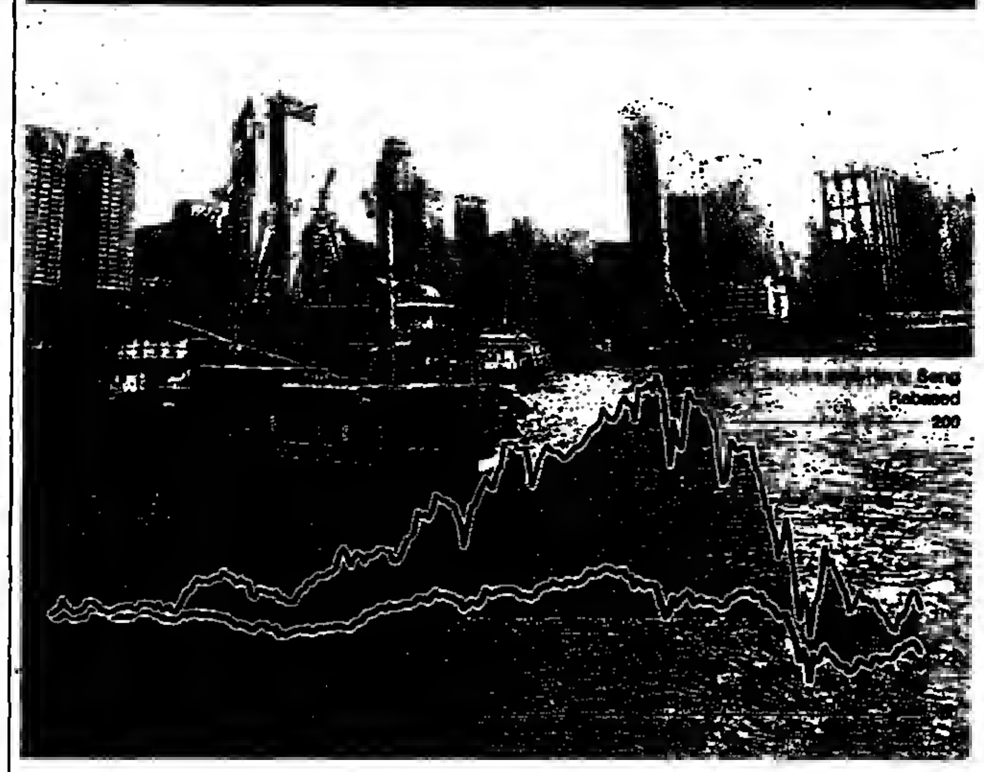
The Corning spokesman said that the company did not expect the Asian market turmoil to have a significant impact on the rest of its business operations. Corning said that the weaker sales of consumer houseware were mainly due to the lack of new product launches during 1997.

Corning's decision to sell the housewares business followed its focus on high-technology businesses such as photonics, the lasers, amplifiers and other equipment that send signals down fibre optic pipelines of modern telecommunications.

AEA is a New York-based investment group founded in 1969 to purchase controlling interests on behalf of various investors, including chief executive officers of large public companies and wealthy American families.

Corning shares fell 2\frac{1}{16}$ or 5.61 per cent to $39⅞ at mid session yesterday.

Turning the tide?



Tianjin shares rise 24% on their debut in Hong Kong

New offering's success may signal revival in red chips

By Louise Lucas in Hong Kong

Shares in Tianjin Development Holdings, the investment arm of the Tianjin municipal government in China, rose 24 per cent on their debut yesterday, signalling a possible revival of investor confidence in "red chips" in the Hong Kong market.

Tianjin, which bucked a 4 per cent slide in the Hang Seng index, is the first municipal government to brave the markets since June when Beijing tightened guidelines for listing and injecting assets into red chips, the Hong Kong arms of mainland conglomerates or government agencies.

Red chips have been particularly out of favour during the recent rout on the Hong Kong stock market. The index tracking the performance of red chips fell 30 per cent in November, and yesterday underperformed the main index to shed 5.76 per cent.

The Tianjin issue is the first time a municipal government has come to market since the Hong Kong stock market went into reverse in August. It could help pave the way

for a fresh round of secondary cash-raising exercises by red chips, which have been returning to the market for funds shortly after listing in order to finance asset injections from their parents.

Among those looking to raise fresh cash are the companies of municipal governments in Beijing and Shanghai. Chongqing will be the next red-chip offering, looking to raise around US$200m next year. It will be the last of the four municipalities that report directly to the central government to come to market.

Beijing Enterprises, the investment arm of the capital city's government, saw its May listing coincide with a bull market and strong demand for red chips in particular. Its shares more than trebled on their debut on May 29.

Shares in Tianjin Development closed at HK$8.20 yesterday, compared with the issue price of HK$6.60. The price was pitched in the middle of the indicative range rather than at the top end, as has previously been the case with red chips.

"Everyone thought we were crazy to go out in the market [now], but investors said they had a lot of cash and were willing to buy, but only at an attractive price," said Jay Chandler, a director of equity capital markets at Merrill Lynch, co-sponsors to the Tianjin issue along with Oriental Patron.

The recent performance by red chips has made pricing of new offerings a sensitive issue. China Telecom, the last red chip to come to market in October, was seen by some as excessively expensive on a price/earnings ratio of more than 30 times. Tianjin Development was priced on a p/e of around 10 times.

Mr Chandler said pricing red chips correctly was critical to promote a strong performance and investor confidence, so the company could return to investors for further cash to finance asset injections at a later date.

Media groups show interest in Primark financial data unit

By John Gapper in London and William Lewis in New York

Pearson, the owner of the Financial Times, is among several media companies that have expressed an interest in a financial information business that could be sold by the US company Primark for more than $1bn.

Thomson, the Canadian media group, and Bridge Information Systems, owned by US investment firm Welsh, Carson, Anderson and Stowe, are also thought to be among those interested in examining Primark's financial data division.

Primark disclosed this week that it had appointed the US investment bank BT Alex Brown to review options. Primark declined to comment on which companies are interested in the sale.

The company is thought to have offered its entire business for sale this year, but rejected offers.

The move is further evidence of restructuring in financial information. Dow Jones Inc, the parent company of the Wall Street Journal, has indicated it is considering selling Dow Jones Markets, its financial data subsidiary.

Competitors in what is an increasingly global market have faced difficulties in building a critical mass of historical and analytical information on a range of financial markets that brokers and investors can use easily.

Primark operations include Datastream, the database group, and ICV, which distributes time share prices on Topic screens in London. In the US it owns Ibes, which provides earnings forecasts, and the Baseline financial database.

Primark was built up by Josephy Kasputys, its chairman and chief executive, from defence information group Tasc, which was sold to Litton Industries for $432m this week. It bought London-based ICV for $105m a year ago.

The sale of Tasc, which handles classified information, is seen as having removed a block on the sale of Primark's other businesses. Primark is also selling Prime, its aircraft maintenance subsidiary.

Although Pearson has indicated interest, its directors are thought to be sceptical about the value of some US businesses owned by Primark. These include Disclosure, which distributes Securities and Exchange Commission filings.

Marjorie Scardino, Pearson's chief executive, has suggested she wants to invest more heavily in selected activities. Apart from the Financial Times, its financial information division includes the products FT Extel and FT Profile.

Reed Elsevier, the Anglo-Dutch publishing company that has considered expanding into financial information, is a further possible contender. But the financial information group Reuters could face UK competition constraints.

Competitors say that Primark failed to integrate an array of financial information products on a single technology platform. It has grown rapidly in recent years, and built up $350m of debt, which it plans to pay down.

Global blow to earnings signalled by JP Morgan

By Tracy Corrigan in New York

J.P. Morgan, the US bank, yesterday warned that its fourth quarter earnings would be lower than expected, adding fuel to growing fears about the impact of weak Asian markets on the profits of internationally active banks and industrial companies.

The news – following indications from Oracle, the US software company, and Corning, the US manufacturer, that their profits were being affected by the weak Asian economies – contributed to a 100-point slide in the Dow Jones Industrial Average in morning trading.

J.P. Morgan said its earnings in October and November were "adversely affected by unsettled market conditions globally, resulting in lower levels of client activity and lower trading revenues". An official declined to comment on which areas of trading had been affected. A month ago, J.P. Morgan said it had "nothing material to report" on October trading results. J.P. Morgan's trading revenues typically account for around a quarter of total revenues.

Ron Mandle, bank analyst at Sanford C. Bernstein, said that following the sharp falls in Asian bond and equity markets in October, banks had been further hurt by weak trading volume in emerging markets. "Client interest in emerging market stocks and bonds has really tailed off" in the fourth quarter, he said.

Last month, Chase Manhattan announced a trading loss of about $160m in October as a result of the sharp correction in Asian and other markets.

Mr Mandle said he expected fourth quarter earnings from trading at Citicorp and Bankers Trust to be more than 40 per cent lower than in the third quarter and had downgraded his earnings estimates accordingly. Analysts fear, if emerging markets remain weak, 1998 bank earnings could come under pressure.

However, Chip Dickson, bank analyst at Salomon Smith Barney, said he was not revising his forecasts as he expected the continuing impact on profits to be limited.

Separately, J.P. Morgan announced plans to repurchase up to 7m shares – worth more than $800m at current market prices – in order to reduce the dilution of earnings caused by its employee benefit plans. It said it had bought back more than 6m shares for its employee benefit plans so far this year.

Despite the positive effect of the share buy-back, shares in J.P. Morgan fell 3 per cent to $119.

Concern about weaker market conditions in the fourth quarter hit the shares of other US banks, with Citicorp shares down 4.3 per cent while those of Chase dropped 3 per cent to $112⅞. Bankers Trust was 1 per cent lower at 127\frac{11}{16}$.

Korea to lead Asian push into global bond markets

By Edward Luce in London

Asian governments are to enter international bond markets on a large scale to refinance short-term debt obligations and emergency borrowings from the International Monetary Fund.

The Korean Development Bank, which borrows on behalf of the government of South Korea, is expected to start with a $2bn bond.

Proceeds from the issue, which is expected to be lead-managed by J.P. Morgan, will be used to roll over $500m of KDB's short-term debt obligations due before the end of the year.

Analysts estimate that, in addition, about $20bn of Korean private-sector short-term debt redemptions will fall due before the end of 1997. "Korea is going to have to pay quite punitive rates if it wants to raise this kind of money," said one banker.

Traders said the $2bn bond, which could still be postponed because of volatile market conditions, would be priced to yield a spread of between 3 and 4 percentage points more than three-year US Treasury bonds.

This is about four times the spread Korea was paying before the global markets crisis in late October.

The Korean bank is to hold a conference with investors in New York today to discuss conditions for the bond issue.

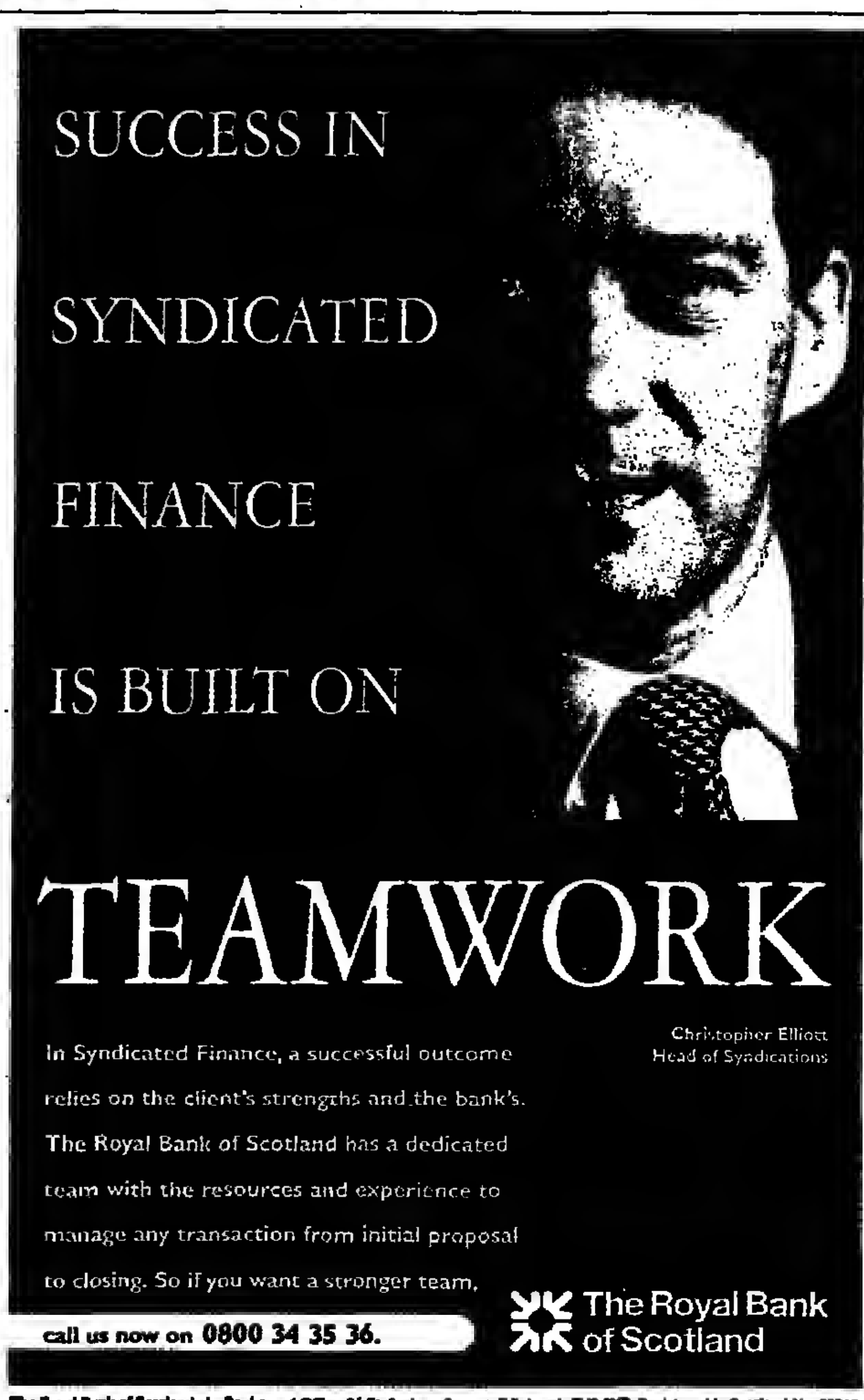
Indonesia and Malaysia are also talking to investment banks about issuing large-scale dollar bonds in January.

A US investment bank official said that Indonesia was hoping to raise about $1.5bn to meet its immediate debt obligations.

Malaysia's Export Import Bank was rumoured to be discussing a smaller-scale issue to meet dollar-denominated debt repayments.

Thailand is also expected to come to the market in January to help refinance borrowings from the recent IMF-led emergency package.

"Asian governments are for the first time going to be competing on a large scale with Latin American governments for big ticket dollar funds," said a bond syndicate official in New York.



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COMPANIES AND FINANCE: INTERNATIONAL

Land Rover to invest $150m in Brazil

By Haig Simonian, Motor Industry Correspondent

Land Rover, the off-road vehicles subsidiary of the UK's Rover group, yesterday announced its biggest foreign investment since being taken over by BMW of Germany in 1994.

It will spend $150m to assemble its workhorse Defender in São Paulo state in Brazil. Production should start late next year at the rate of 2,000 units a year, but could reach 5,000.

The decision is an important step in the growth of Rover's most successful operation. Land Rover output is expected to rise from 130,000 units this year to almost 200,000 in 1998 with the launch of the Freelander in January.

BMW, which was first attracted to Rover by its off-road subsidiary, believes there is considerable potential to expand Land Rover sales through new models and markets.

However, the timing of the Brazilian move – which had been aired but officially denied almost a year ago – and the size of the investment surprised analysts.

Vehicle sales in Brazil have fallen sharply in recent weeks after the government raised interest rates to protect the currency against speculators.

The interest rate rise resulted in a steep decline in demand for consumer credit, used to finance the lion's share of car sales.

In spite of the downturn, new car registrations this year should be well ahead of 1996.

Sales in the first 10 months were 22 per cent above the previous year. Sales of Land Rovers are expected to jump from 403 to 1,100 this year.

Observers were perplexed by the size of the investment, given that the Brazilian vehicles will be built from kits exported from the UK. The total workforce will be 800.

Brazilian press reports suggested the factory would be built in an existing plant in São Paulo's industrial belt, limiting the likely cost further.

Rover said the investment included spending to upgrade dealerships. It added that the announcement was timed to coincide with the government's decision to grant Land Rover official status as accredited automobile manufacturer – essential for import quotas.

Rover said the Brazilian vehicles would achieve 60 per cent local content in four years. Engines would probably come from Maxion, a local manufacturer which already builds Land Rover diesels under licence.

Land Rover returned to Brazil in 1995 after a tortuous legal battle over ownership of its local trademark. Rover said it had no immediate plans to re-enter the car market, although that could happen later.

BMW has been looking at Brazil more closely since the economy recovered in the 1990s. Last year, it announced a joint venture with Chrysler to build 400,000 petrol engines a year at a new plant near Curitiba.

BMW's Brazilian subsidiary, set up in 1995, now has 36 outlets selling BMW and Land Rover vehicles. Sales surged 25 per cent to 4,653 in the first 10 months of this year.

AIG raises $1.53bn for Asia

By John Authers in New York

American International Group, the largest US insurer, yesterday said it bad raised $1.53bn for an infrastructure fund to invest in Asia.

The announcement follows increased efforts by AIG, whicb has extensive international operations, to sustain its activities in Malaysia, wbere Dr Mahathir Mobamad, prime minister, is resisting demands by trade negotiators that foreign insurers sbonld be allowed to keep all their investments in the country.

It appeared to signal that the company, based in New York but with its roots to China, wanted to emphasise its support for Asian economies.

AIG is sponsoring the fund, while GIC Infrastructure, an investment affiliate of the government of Singapore, will be the principal investor. It will be managed by a Bermuda partnership owned by snbsidiaries of AIG and GIC.

AIG said a total of 17 institutional investors had made commitments to the fund. "There is continuing appreciation that the future growth of the Asian economies will depend to a significant degree on infrastructure development," Hank Greenberg, chairman, said.

He added that the "substantial" commitment reaffirmed the confidence of AIG and other institutional investors in the long-term growth prospects for Asia.

The fund will invest in equity and convertible debt infrastructure investments, with more than half of the fund invested in China and India. The balance will go to some of the countries which have been worst hit by the recent currency turmoil, inclnding Indonesia, Malaysia and Pakistan.

AIG launcbed a similar Asian infrastructure fund three years ago which raised $1.1bn and is now nearly fully invested. Many of the investors in the first fund are repeating their commitment in the new venture.

The Emerging Markets Partnership, an asset manager based in Washington, will be the main investment adviser. It is cbaired by Moeen Qureshi, a former prime minister of Pakistan, while the managing partner is Donald Roth, a former treasurer of the World Bank and cbairman of Merrili Lynch Europe.

Ocean Spray takes 50% of juice group


Tom Scott (left) and Tom First: founded Nantucket Nectars

By Victoria Griffith in Boston

The world'e largest producer of cranberry products, Ocean Spray, has taken a 50 per cent stake in Nantucket Nectars, the juice concern that has achieved near-cult status in the US because of its pbenomenal growth and alternative approach to marketing.

The deal preserves Nantncket's independance and allows the company's two co-presidents, Tom Scott and Tom First, to remain in charge.

They became an inspiration to aspiring entrepreneurs wben they turned their home-blender operation into a company with $50m in sales within a few years. Last year, Inc magazine named the group one of the fastest-growing businesses in the country.

However the company has not revealed its profits and no details on the price paid by Ocean Spray were disclosed.

Nantncket Nectars bas used the story of First and Scott'e rise as a key marketing tool.

The two launcbed the juice business during a quiet winter on the resort island of Nantucket, off the coast of Massacbusetts, where they lived as self-described "beach bums" after graduating from university. Because big chains would not take their bottled juices, they began selling to small, corner stores, and from trucks during university events.

Radio commercials played up the company's folksy image, and Nantucket Nectars adopted the elogan: "We're juice guys. We don't wear ties to work."

Mr Scott says the company rejected numerous offers that would have forced Nantucket Nectars to relinquish its independence.

The company plans to join forces with Ocean Spray on purchasing to obtain better deals from euppliers, and may collaborate in other areas. "The main thing is that we will continue with the eame team under the same management at the same beadquarters," says Mr Scott. "There will be absolutely no lay-offs."

Earlier this year, Nantucket Nectars signed a deal to provide juice to the coffee chain Starbucks.

Russia's UES to sell 101 subsidiaries

By Chrystia Freeland in Moscow

Unified Energy Systems, Russia's national electricity monopoly, plans to begin next week to sell 101 subsidiaries unrelated to its core business.

The sell-off will cover a range of activities, including poultry farms and commercial banks, in the north Caucasus.

"We hope to get rid of this ballast as soon as possible," said Boris Brevnov, UES chairman, in an interview with the Financial Times yesterday. "For specialists they could be good businesses, but they distract from our main line of work."

The sales are part of a broader restructuring being engineered by Mr Brevnov, a 29-year-old former commercial banker.

Mr Brevnov was brought into UES earlier this year as part of the Kremlin's campaign to resbape the behemoths of the Soviet economy. He has already cut 10 per cent of UES's regional managers and more than balf the staff in the company's Moscow headquarters.

Mr Brevnov estimates the company can save about $5bn-$6bn a year simply by reforming management practices.

Mr Brevnov said UES would later sell a second package of subsidiaries – the construction and repair companies owned by the electricity giant.

"It will take us a little bit more time to prepare them for sale," Mr Brevnov said.

He said UES was also seeking direct foreign investment in its core business of electricity generation.

One of three projects on offer will be a hydro-electric power station in Pskov, north-western Russia.

Analysts say UES is seeking a broader strategic link with a western company – a view backed by recent meeting between UES leaders and groups such as Enron, of the US, and Electricité de France.

UES would be following in the footsteps of Russian giants such as Gazprom, the world'a largest natural gas producer, which last month clincbed an alliance with Royal Dutch/Sbell.

Sidek asset sale plan gains support

By Henry Tricks in Mexico City

Two years after defaulting on $2.2bn of debt, Sidek, the troubled Mexican tourism and real estate conglomerate, has won the backing of most of its main creditors for a restructuring plan to liquidate $1.3bn of assets.

Luis Rebollar, chief executive, said the sale of assets would take place over five years, and he dismissed fears that opponents of the deal, including international bondbolders, could block it.

"There's an orderly sale of assets or there's bankruptcy. There's no other way out," Mr Rebollar said. Bankruptcy proceedings could tie up the 250 subsidiaries for years.

Sidek, based in Guadalajara, was the first big company to default after Mexico's 1995 financial crisis. It had built up investments in hotels, marinas, golf courses and time-share developments that became unprofitable when the peso collapsed in 1994.

Mr Rebollar said a formal restructuring offer would be sent to creditors this month. It would ask them to surrender $1.95bn of debt securities in exchange for participation certificates in a trust made up from proceeds of the liquidation sales. The offer would end on January 30, he said.

For it to work, at least 95 per cent of creditors must agree to the plan. Some, especially international bondholders, are said to be reluctant to take part."There are simply not enough assets to pay creditors," said an analyst close to them.

One stumbling block is that unsecured creditors, including foreigners, are last in line for payment. According to a Sidek document issued to shareholders, secured creditors will have first rights to 78 per cent of the proceeds of each asset as it is sold.

The secured creditors include 17 Mexican banks that hold $1.5bn of Sidek debt. "The Mexican creditors are in agreement. That's 75 per cent right there," Mr Rebollar said.

Owners have tried to insulate Simec, the group's profitable steelmaker, from the creditors. Mr Rebollar was due to present results of a $324m debt-restructuring plan at Simec yesterday.

Tenneco warns on fourth-quarter profits

By Nikki Tait in Chicago

Shares in Tenneco, the US packaging and automotive products group, slumped almost 10 per cent yesterday after tbe company warned that a "weaker-than-normal" aftermarket for parts and delayed pricing benefits in its containerboard operations would result in fourtb-quarter profits well below analysts' estimates.

Dana Mead, chairman, said the company expected earnings per sbare from its continuing operations of 40-45 cents – almost 30 per cent below analyets' forecasts of about 62 cents.

The shortfall was blamed on the "simultaneous occurance of several unrelated events", which Mr Mead said were partly non-operational. The US aftermarket for automotive products is traditionally weak in the fourth quarter, but the Tenneco chairman said the company had found sales softer than usual.

He also euggested some customers might be delaying purcbases abead of the launch of two products – a muffler and a sbock absorber – in January.

In addition, the strong dollar is expected to hit non-US business, which accounts for about half Tenneco's sales.

On tbe containerboard side, Mr Mead said that the company had phased in box price increases in November, but would not see the full benefit until the first quarter of 1998 – slightly later than most analysts were anticipating.

The company would also face "small non-recurring costs" related to a restructuring and an asset sale.

Mr Mead stressed that the outlook for 1998 had not changed and that the group still expected to meet Wall Street forecasts of $3-$3.35 a share for full-year earnings next year.

He suggested resnlts would be bolstered by the strengtbening paperboard market and a range of product launches on the antomotive side.

By late morning, Tenneco's ehares were trading at $40¾, down $3⅛.

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INTERNATIONAL NEWS DIGEST

TCI signs three cable alliances

Consolidation of US cable television continued yesterday with the announcement of three new partnerships, all including Tele-Communications Inc, the industry leader. TCI is to swap subscribers with Century Communications, a leading provider in California, Denver-based US West Media, and Multimedia Cablevision. The deals, part of a TCI-inspired drive to reduce debt and create large clusters of customers from scattered holdings, will affect almost 2.5m households in California, Florida, Illinois, Indiana and Kansas. Financial details were not disclosed.

TCI also unveiled plans yesterday to launch 12 Spanish-language cable networks next spring to serve the nation's largest linguistic minority. It said it was preparing six further offerings for this group.

Christopher Parkes, Los Angeles

■ PHARMACEUTICALS

Eli Lilly wins Evista approval

The US Food and Drug Administration has approved Eli Lilly's osteoporosis treatment, Evista, for marketing. Osteoporosis affects more than 28m Americans, mainly women, the company said. Evista is the first in a class of new drugs called selective oestrogen receptor modulators to be approved by the FDA. It is expected to be available in early January. Eli Lilly has applied to market Evista in more than 30 countries.

Tracy Corrigan, New York

■ UNIT TRUSTS

State Street buys BoS business

State Street, the investment management and custody group, is to buy the unit trust trustee business of Bank of Scotland in a move to increase its assets outside the US. At the same time, State Street Global Advisers, announced a joint venture with Mediolanum group, the fourth largest life insurance company in Italy. The venture will target the pensions market in Italy, where the government is trying to move away from state provision.

The Bank of Scotland deal, which adds about £13bn ($21.4bn) to State Street's $3,900bn assets under custody, is the group's first foray into the UK's trusteeship market. Under the terms of the deal, State Street will take fiduciary responsibility for the bank's assets. Boston-based State Street is keen to expand into Europe.

The sale signalled Bank of Scotland's intention to withdraw from the global custody business, which is increasingly dominated by a handful of huge firms. It said yesterday that there would be "no material financial effect" on the bank'e consolidated accounts from the sale.

Jane Martinson, London

■ INDUSTRY

Venezuelan plant for BHP

Broken-Hill Proprietary (BHP), the Australian resources group, has begun construction of a $780m hot briquetted iron plant in south-east Venezuela, marking a wave of international investment in the country's opening metal industry. The Orinoco Iron plant, a joint-venture between BHP and Venezuela's International Briquette Holding, an affiliate of steel producer Sivensa, is to produce 2.2m tonnes of HBI by 2001, most of it for export.

World demand for HBI, which is used in steel production, is increasing as the supply of high quality scrap metal is insufficient to meet growing demand of electric steel-making and new mini-mills coming on line.

Venezuela is using foreign investment to become the world's leading exporter of HBI by boosting production from an estimated 4.7m tonnes in 1997 to about 9.5m tonnes by 2002.

Raymond Colitt, Caracas

■ FRANCE

Watchdog opens casino inquiry

SFCMC, the Cannes casino operator, yesterday launched a FFr266m ($44.3m) rights issue on the day the French stock market watchdog said it had opened an inquiry into the company and drew investors' attention to a warning by its auditors about its accounts. The Commission des Opérations de Bourse said it launched an investigation into the financial information produced by SFCMC and its directors, as well as into movements in the company's shares from the start of this year.

The auditors stated their reserves over the valuation placed by SFCMC on the shares in the Hotel Gray d'Albion in its accounts. Partouche, the casino operator which holds 30 per cent of SFCMC, said it would not subscribe to the rights issue. The Barriere-Desseigne family, which controls 55 per cent of the shares, said it would underwrite up to FFr200m of the issue.

Andrew Jack, Paris

■ INDIA

CMS buys 49% of power station

CMS Energy, the fourth largest gas/electricity utility in the US, announced yesterday it was acquiring a 49 per cent interest in a new independent power plant being built in Chennai, in southern India. The stake is being purchased from the GMR Vasavi group, an Indian conglomerate, which began construction on the plant this year and remains the project developer.

The plant is scheduled for completion in early 1999.

Nikki Tait, Chicago

Business television in Asia receiving mixed signals

ABN and CNBC Asia are joining forces, but it remains unclear whether there is a market for English-language programming

The bsttle for Asia's business television viewers, wbicb prompted this week's ABN-CNBC Asia merger, leaves one big question: is it a battle worth winning?

"Everyone realised you are not going to get rich doing English-language business programmes, even before the financial turmoil that the region in general has seen recently," says Susan Schoenfeld, president at AIM Asia, a media consultancy.

Consolidation in other parts of the industry, with the merger of sports channels Star Sports and ESPN, bad already signalled that only slim pickings were on offer. Consultants say more consolidation might yet follow.

For ABN and CNBC, the merger is aimed at strengthening their position and building on the combined market share. The deal was part of a bigger merger of the European and Asian business news channels of tbe two US groups, Dow Jones and NBC, the latter owned by General Electric. "It will accelerate our move into the black," says one executive of tbe merged ABN-CNBC company, altbough he dismisses the idea that profits could be achieved before 1999.

In theory, the target market is lucrative: Asian business executives who would switch on for their daily dose of market and business information in English.

In practice, this has proved a hard target to hit. "They were looking at the same top 5 per cent Richard Li looked at in 1991 when he launched Stsr TV. He figured it was not there, and he had five channels plus partnerships and was more audience-focused. CNBC had two channels that did not have a clear objective," says one consultant.


Pan-Asian business television channels have failed to attract large numbers of viewers and advertisers

Arguably, it was the experience of Ricbard Li, the younger son of Hong Kong tycoon Li Ka-shing and who masterminded the sale of Star TV to Rupert Murdoch's News Corp in July 1993, that exploded the myth of pan-Asian TV. Shortly after the sale, the strategy of targeting Asia's top 5 per cent viewers with English-language programmes was jettisoned in favour of regional languages, sucb as Mandarin and Hindi.

Star TV also pre-dated ABN in its endeavours to boost non-advertising revenues. Success has been patchy: ABN failed to achieve its aim of a 50-50 split between subscriber revenues and advertisers – but as Ms Schoenfeld points out, even operators in developed markets such as the US have not managed this.

Heavy reliance on advertising brought its own problems. Advertisers have tended to shun the medium because of its lack of focus and unsuitability for local products. Those who do sign up are largely from the few truly pan-Asian fields sucb as airlines, telecoms and luxury brands. Even then, buyers have been uncomfortable booking spots on CNBC, which was felt to fall between two stools – lacking a substantial Asian franchise, but not eufficiently international in the way that CNN is.

Rita Lam, media manager at J. Walter Thompson Hong Kong, says: "ABN is more focused and Asian-oriented – more appropriate for companies such as Singapore Airlines which are seeking to convey an Asian image.

"CNBC is very new. It claims the highest distribution numbers, but it is questionable to me. By contrast, a reason to support ABN is its Dow Jones background, which makes it more credible."

The fight for advertising is set to become even more fierce in the wake of the financial turmoil sweeping Asia. "Undeniably, it will be tougher," says Karen Elliott House, president of Dow Jones & Co International. But she adds the crisis has increased the need for business news, while the merged group should be in a stronger position to win market share.

Paul France, ABN chief executive, says the majority of advertising clients are multinationals, which have been less affected by the turmoil as the bulk of their revenues are outside the region. "We are reasonably confident tbat we won't be affected by the meltdown in some markets as much as other regional companies."

Given the uncertain market prospects, however, the cost side of the equation is arguably more compelling. By decamping to ABN's base in Singapore, the group will cut out Hong Kong's high rents and salaries. Add the reduction in staff of mors than 200, and the bottom line should see a substantial benefit once restructuring charges are booked.

Yet even Singapore could prove to be an elusive Shangri-La. The ABN-CNBC merger underlines that Asia is not big enough for two English-language business broadcasters. They have yet to prove it is big enough for one.

Louise Lucas

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THURSDAY DECEMBER 11 199

NATIONAL NEWS DIGEST

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Burger King cooks up fries offensive

By Richard Tomkins in New York

Burger King, the Miami-based fast-food company, yesterday opened another front in the burger wars by launching an improved version of its french fries under the slogan: "The taste that beat McDonald's fries."

The launch appears calculated to ram home Burger King's attack on its bigger rival at a time when McDonald's is already reeling from a string of disappointments in the US market.

Burger King's new fries are made with a coating the company claims makes them crispier and tastier and keeps them hotter, longer – an important factor because 75 per cent of Burger King's customers take food away.

Until now, the widely-accepted view in the US burger industry has been that Burger King's "flame-broiled" Whopper is the better-tasting burger, but that McDonald's makes the better-tasting fries.

However, Burger King – a unit of Britain's Grand Metropolitan – claims that in independent taste tests conducted in 18 cities across the US, 57 per cent of consumers said they preferred the taste of its new fries, compared with 37 per cent preferring McDonald's.

The company said the remaining 8 per cent of consumers expressed no preference.

Yesterday, Jim Watkins, senior vice-president of marketing for Burger King North America, said: "Until now, our fries were not up to our standards of superior, better-tasting food. Now, we can honestly say that Burger King is the best place for burgers and fries."

Burger King said it had spent two years developing the coated fries. The company said the details of the technology were secret, but the fries were all-potato and contained no common allergens, such as whey or gluten.

The fries are already being sold in Burger King's 7,414 US restaurants and will be introduced to its 1,986 overseas outlets shortly.

Burger King is spending $70m to advertise and promote the fries – the biggest product launch in its history.

McDonald's shrugged off Burger King's announcement, saying there was nothing new about coated fries. "We are used to people playing catch-up. We don't think its going to happen," it said.

"Our research shows us that people overwhelmingly prefer McDonald's fries by a three-to-one margin, and these studies also show that people are sceptical of anyone who claims they have a better fry than we do because they regard McDonald's fries as the gold standard of the industry."

Nevertheless, Burger King's move is likely to increase the competitive pressures in the US fast-food industry at a time when McDonald's has been losing market share.

Taste test: Burger King claims 57% of consumers prefer its 'coated' fries

Merged Swiss banks eye the American pie

The merger of Swiss Bank Corporation and Union Bank of Switzerland will create, according to management, a "strong and profitable platform in the US". The claim is modest but accurate, according to analysts.

Warburg Dillon Read, as the merged investment banking business will be known, still faces the critical challenge of establishing itself on an equal footing with the top domestic investment banks in the world's largest capital market.

Swiss Bank Corporation has achieved a strong position in some areas through acquisition – O'Connor in the derivatives market and Dillon Read in mergers and acquisitions, for example – but makes little showing in the US underwriting league tables.

Nonetheless, analysts say they are encouraged by its successful record in integrating acquisitions and its relatively strong brand names. "They've assembled, at least on paper, some good assets," says Michael Lipper, of Lipper Analytical Services.

Analysts are more dubious about UBS's record. While it has made inroads in bond underwriting, analysts point out that this is an area where market share can be bought. Despite heavy investment in building the business organically, UBS still lags behind strong US institutions. "I don't think anybody thinks of UBS as a leader [in the US market]", says Mr Lipper, though he adds that it is viewed as "having good credit and lots of capital".

Like Deutsche Morgan Grenfell, part of Deutsche Bank, UBS has been criticised by others in the industry for hiring staff on guaranteed bonuses, racking up overheads and inflating employment costs for the industry.

UBS has been "one of the more controversial 'bidders' in the jobs market, says one investment banker. He adds that UBS's record is an example of "how not to build in the US", citing the lack of a common culture to build on and frequent management changes.

Even with extra firepower as a result of the merger, real penetration of the US market is far from assured. The only European bank to date to have gained a position in the US "bulge bracket" – the investment banking elite – is Credit Suisse, but that was through one large acquisition, First Boston.

Deutsche Morgan Grenfell, probably the furthest advanced among the latest influx of European commercial banks, is still investing in building its business, and others, such as Barclays de Zoete Wedd and NatWest Markets, have pulled back. It is a pattern seen before – Warburg, for example, tried and failed to build a credible US business prior to its acquisition by SBC.

The strategy of the merged business is to expand in equities and high-yield bonds. The firm has not ruled out an acquisition, but a deal is not expected for some time, given the task of integrating the businesses.

One important issue, according to analysts, is what kind of leadership the US business will have. That decision has not yet been made, and officials say no announcement is expected until after the shareholder meeting early next year.

But analysts say they are encouraged by SBC's record of promoting strong managers from acquired businesses: Gary Brinson, for example, who joined the merger of the acquisition of Brinson Asset Management, the US fund management company, will run the merged firm's global asset management business.

If the firm's management does decide it needs to acquire a US business – as may be necessary to advance its position in the US rapidly – its options are shrinking as consolidation continues.

Donaldson Lufkin & Jenrette, with its strong domestic position, would fit well, but may not be for sale. Lehman Brothers and Paine-Webber would meet some of its needs, though the overlap with Lehman Brothers outside the US would require further painful retrenchment.

Meanwhile, say analysts, the merger of the two Swiss banks may goad US commercial banks such as Chase into stepping up their attack on the US investment banking industry with some acquisitions of their own.

Tracy Corrigan

A Consortium formed by Máxima, SBC Warburg Dillon Read Inc., Morgan Stanley & Co. Incorporated and Banco Omega advised the Government of the State of São Paulo in the valuation, modeling and execution of the sale of 67.60% of the voting shares of the Companhia Paulista de Força e Luz - CPFL.

CPFL Companhia Paulista de Força e Luz

The sale of this stake represents the largest privatization of an electric utility company in Latin America to date.

This stake was sold for

US $3,197,502,193

SBC Warburg Dillon Read Inc. MORGAN STANLEY & CO. Incorporated

máxiMa

OMEGA Banco Omega S.A.

INTERNATIONAL NEWS DIGEST

Frontline stalls Astro-ICB deal

The $309m merger between ICB Shipping of Sweden and Astro Tankers, the privately owned Greek shipping company, has been stalled by a legal challenge from Frontline, the Bermuda-based group behind a SKr3.22bn ($410m) hostile bid for ICB. Frontline, which has argued that the Astro deal flouts Swedish company law, has filed a lawsuit with the Stockholm district court to prevent the merger taking place.

The action has forced the PRV, Sweden's patent and register authority, to halt the issue of new shares by ICB as part of the Astro deal. ICB, in a bid to frustrate Frontline, had planned to issue 11.85m new shares to Astro's owners, the Angelicoussis shipping family.

Lawyers acting for Frontline yesterday said the PRV would not approve the share issue until the legal action had been resolved, and predicted the case might not come to court before next autumn. "Until the case is completed the [Astro] deal cannot go through," said one Frontline lawyer.

Frontline has offered SKr115 a share in cash for ICB's most commonly traded B shares, and SKr130 e share for its voting A shares. It has already acquired 51.7 per cent of ICB share capital and 31.4 per cent of the voting rights. Investors owning a majority of the voting rights, however, have already approved the Astro merger. ICB's B shares yesterday closed down SKr2 at SKr105, while the A shares were unchanged at SKr140. *Tim Burt, Stockholm*

■ FRANCE

Saint-Gobain sells stakes

Saint-Gobain, the French glass, ceramics and abrasives manufacturer, yesterday took the first significant step towards fulfilling its pledge to unwind its cross-shareholdings with other French companies. It sold 600,000 shares in the utilities group Générala des Eaux, cutting its stake from 9.6 per cent to 9 per cent, and 750,000 shares in the insurance group Axa-UAP, reducing its holding from 0.45 per cent to 0.22 per cent.

The disposals, which Saint-Gobain said would generate FFr200m-FFr300m ($33.29m-$49.8m) in capital gains, were not in the groups thet many had expected. Jean-Louis Beffa, chairman, said in April he would reduce cross-shareholdings, but placed particular emphasis on the holding company Suez. His decision indicated a preference for Générale des Eaux over Suez following its merger with the rival utilities group Lyonnaise des Eaux which had the effect of dilnting Saint-Gobain's stake. Mr Beffa said at the time he would "significantly" cut his Suez participation. The company said yesterday thet it had not sold shares in either Suez or another cross-investor, BNP.

Générale des Eaux said it had reduced its reciprocal stake in Saint-Gobain by a similar amount over the past few months, and did not expect any further changes in the cross-shareholdings. *Andrew Jack, Paris*

■ NEW ZEALAND

DB Group advances 15%

DB Group, the New Zealand brewery and liquor group, lifted annual earnings before interest and tax by 15.4 per cent to NZ$38.8m (US$23.18m) due to a policy to meet market demand with premium beers and better quality wines and spirits. DB Group, which is controlled by Heineken and Singapore interests, also announced that its after-tax profit fell 5.8 per cent to NZ$28.6m because of the company's decision to change its capital structure.

Eric Korthals Altes, managing director, said the result was excellent given the decline in volume sales of beer and spirits and extremely competitive markets. Group sales for the year were NZ$647.6m, compared with NZ$650.4m. *Terry Hall, Wellington*

■ PAKISTAN

PIA looks for savings

Pakistan International Airlines, tha state-run carrier, said it had incurred a loss of 4.79bn rupees ($108m) in 1996-97. Shahid Khaqan Abbasi, chairman, said: "The crisis situation has been reached as a result of years of complacency, loss of direction, neglect of consumers, inadequate investments in core activities and heavy investment in non-core business."

He said that with rising operational costs because of an ageing fleet, PIA had to cut costs, reduce employees and pursue new revenue enhancement activities. He said an estimated 3bn rupees would be saved in 1997/98 through cost cuts while a further 2bn rupees would be raised by revenue-enhancement measures. He added that a fleet replacement programme had been launched,due for completion by March 1999. *Reuters, Karachi*

■ ACCOUNTANCY

Coopers & Lybrand ahead

Coopers & Lybrand, the Big Six accountancy firm seeking a merger with Price Waterhouse, yesterday announced an increase in worldwide revenues to $7.5bn for the year to September – up 10.7 per cent from the $6.8bn of the previous year. The growth rate is towards the lower end of thet enjoyed by the sector but Coopers said this was caused by currency exchange rates.

At constant rates, fees would have been $7.8bn – up 14.7 per cent. Growth rates varied geographically with the UK recording 22 per cent, the US 18.4 per cent and Europe overall 6.1 per cent. The firm said the European results were affected by the strong dollar.

The firm's merger submission is with competition authorities at the European Commission and is likely to be scrutinised by US regulators. *Jim Kelly*

■ JAPAN

Toyota delays hybrid car launch

Toyota, the Japanese carmaker, has had to delay the national launch of its hybrid car, the Prius, by about 10 days to ensure that the car is up to quality standards.

Toyota played down the delay of the Prius, which was scheduled to be in Toyota showrooms around Japan yesterday, and said it wanted to make sure that everything was up to standard when the world's first mass-produced hybrid car, goes on sale. "It is not unusual for a new vehicle not to be available at all showrooms initially," it said.

The hybrid car, which reduces emissions by using a combination of petrol and batteries, has attracted more interest than Toyota had expected. According to industry estimates Toyota has received advance orders for three times the monthly sales target of 1,000 units.

Toyota has set a price of Y2.1m ($16,000) on the Prius, which compares with Y1.65m for a comparable, conventional, model. *Michiyo Nakamoto, Tokyo*

■ GERMANY

Short-list for Berlin airport

German authorities yesterday announced they would select a new owner for the Berlin airport system from a short-list of four consortia. BAA, the UK airports operator, has not been short-listed. Airports Group International of the US heads one of the groups; Copenhagen airport and Bechtel International lead the second; ABB, Siemens and Frankfurt airport are involved in the third; and Vienna airport and Dresdner Bank head the fourth. *Michael Skapinker, Aerospace Correspondent*

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Rescue deal for PLDT's cellular unit

By Justin Marozzi in Manila

PLDT, the largest telecommunications group in the Philippines, yesterday announced a 4bn pesos ($114m) rescue deal for Piltel, its cellular phone subsidiary, following the collapse of an alternative buy-in.

However, analysts warned the parent company was stretching its balance sheet to fund the purchase. Shares in PLDT fell 6 per cent to close at 870 pesos, while shares in Piltel, which were trading last week at 3.85 pesos, rebounded 6 per cent to 6.6 pesos.

Under the agreement, PLDT will purchase about 655m shares in Piltel in two tranches at 6.1 pesos a share.

It said its "equity infusion into Piltel is intended to assist Piltel in meeting its obligations".

Piltel needs funds to pay off short-term debts.

The rescue deal will increase PLDT's stake in the cellular phone group from 31 per cent to 58 per cent. It follows the announcement last week by Philcom, a local telephone company, that it would not go ahead with the 5.17bn pesos acquisition of a 20 per cent stake in Piltel because of "turbulent" market conditions.

When Philcom agreed to buy into the company in April at 20 pesos a share, Piltel shares were trading at 14.25 pesos.

Alex Connor, head of research at brokers Indosuez WI Carr, expressed disappointment at PLDT's move.

"The reality is that Piltel has had a lot of problems and most have stemmed from management," she said. "We really need a management in there with experience of successfully managing a cellular phone operation, either internationally or in the Philippines. With PLDT stepping in, there won't be much of a change."

Piltel, which until this year was the leading cellular phone operator in the Philippines, has been hit hard by delinquent subscribers.

Last year, it wrote off 85,000 subscribers, or 20 per cent of its customer base.

ING Barings, the broker, said Piltel's gearing would fall from 183 per cent to 138 per cent following PLDT's purchase of shares.

But it said the group would be reporting losses of about 500m pesos this year, after foreign exchange losses and write-offs of delinquent subscribers.

Analysts warned PLDT might need to launch a rights issue to finance the purchase of shares. Its gearing would shoot up from 145 per cent to 182 per cent after the purchase, said one.

"PLDT will need to borrow and it already has quite a stretched balance sheet. It may be forced to cut down on its capital expenditure rather than paying off debt and improving its financial position."

BellSouth discusses stake in Veba telecoms

By Ralph Atkins in Bonn

BellSouth, the US regional telecoms operator, is in talks with Düsseldorf-based Veba about taking a stake in the German industrial conglomerate's fledgling telecoms operation.

Ulrich Hartmann, Veba chairman, confirmed negotiations were under way as o.tel.o, its telecoms subsidiary, begins gearing up for the liberalisation of the German telecoms market from January 1.

O.tel.o is owned jointly by Veba and RWE, the Essen-based industrial conglomerate. But a 22.5 per cent stake was reserved for a future international partner after Cable & Wireless, the UK-based telecoms company, withdrew from the Veba-RWE alliance earlier this year.

Other possible US partners have included SBC Communications, another regional telecoms operator, and GTE, the local operator. Yesterday Veba confirmed it had narrowed the field to BellSouth. A deal is expected within the next few months.

Competition for private customers has already intensified, with Mannesmann Arcor, another of Germany's new telecoms companies, announcing this week it would undercut significantly prices charged by Deutsche Telekom, the telecoms giant which is still majority-owned by the state.

In response, Ron Sommer, Deutsche Telekom chairman, yesterday promised customers "a surprise every month" in 1998.

Speaking at a ceremony to mark the modernisation of telecoms networks in eastern Germany, Mr Sommer also said Deutsche Telekom would halve the cost of long-distance calls to the US and France between Christmas and the New Year.

An attraction of BellSouth to o.tel.o would be its 22.5 per cent stake in E-Plus, Germany's third-largest mobile telephone company. O.tel.o already has a 60.8 per cent stake in E-Plus but has said it would like to increase its stake and is looking to develop integrated fixed and mobile telephone services.

O.tel.o is focused on the German market, but Veba has also underlined its international telecoms ambitions, announcing this week that it was joining forces with Telecom Italia and Bouygues of France to offer fixed net telephone services in France from next year.

● Ericsson, the Swedish telecommunications group, said yesterday that its Italian unit Ericsson SpA had concluded an agreement to sell 80 per cent of its network construction company, Cosir, to Italy's Intek, AFX reports from London.

It said that the sale to Intek was in line with its strategy of concentrating on core business, but added that it would continue to co-operate extensively with Cosir.

Ericsson did not reveal financial details of the deal.

Teva takes transatlantic route

The US market now accounts for 50% of the Israeli pharmaceuticals group's annual turnover

Over the past seven years, Teva, Israel's largest pharmaceuticals group, has captured 8 per cent of the US market for generic drugs – prompting US drugs companies to lobby the US embassy in Tel Aviv over a proposed amendment to Israeli patent law.

Paradoxically, it was restrictive legislation in Israel that forced Teva to move a large part of its production to the US. The law banned Israeli companies from carrying out any research and development of generic drugs before a patent had expired.

In the US, companies can develop generics and prepare the necessary registration procedures before the expiry. If the Israeli parliament passes new legislation, it will allow local pharmaceutical and agrochemical companies to do the same at home – obviating the need to shift R&D abroad.

But US officials say Israel's planned reform is too liberal, as it would allow manufacturers to market generic drugs almost immediately after the expiry of a patent.

In the US, the expiry date is often extended for a few years to give the patent-holder time to adjust to the loss of sales before generic versions hit the market.

The irony of the situation is not lost on Teva, which admits it never intended its generic division to become such an important earner.

"We have come a long way with our generic drugs since the mid-1980s," says Dan Suesskind, Teva's chief financial officer. "We found ourselves with a business which had its own merits. Our generic division overtook our strategy."

The US now accounts for 50 per cent of Teva's annual turnover, which last year reached $740m and is set to exceed $1.1bn this year. It has also forced Teva to reappraise its strategy.

Teva's ability to establish a foothold in the highly competitive US generic market was a mixture of trial and error. At first, like many Israeli companies, its strategy outside Israel was weak. "Every time we were about to acquire a company we would get cold feet," explains Mr Suesskind.

> 'We have come a long way with our generic drugs since the mid-1980s,' says Dan Suesskind, finance chief

With help from US consultants, Teva took the plunge. By 1996, it had merged under one roof Lemmon and Biocraft Laboratories, both US pharmaceutical companies, calling the new unit Teva Pharmaceuticals USA. The merger added nearly 30 products to Lemmon's product line, and Teva Pharmaceuticals USA now manufactures 24 of the country's top generic drugs.

During the 1990s, Teva also turned its attention to Europe, where sales now account for 20 per cent of annual revenues. By the end of 1995, it had acquired Biogal, a Hungarian company, and APS/Berk, the UK's second largest generic pharmaceutical company. It also established a marketing subsidiary in Italy and a quality control laboratory in the Netherlands.

Analysts say Teva had little choice but to expand outside Israel, since the domestic market, which accounts for one-quarter of its turnover, was too small.

Not content with expanding its generic business, Teva is embarking on a strategy which could change the profile of the company.

"We are moving into innovation drugs, particularly those for the central nervous system, and auto immune drugs," says Mr Suesskind.

The drug that Teva is pinning its reputation on is Copaxone, a multiple sclerosis treatment designed to delay the progression of the disease.

Lehman Brothers, the US investment bank, reckons Copaxone could have sales of $225m by the end of next year, following recent approval by authorities in the US, Canada and Israel. If, as expected, approval is granted in Europe next year, total sales could double over the next three years.

However, some analysts – and Teva itself – are cautious about how this potential will translate into profits.

"I don't think Copaxone will make a significant contribution to profitability this year, because of the heavy investment spending on marketing and advertising," says Debra Kodish, analyst at Zannex Securities. Teva's research and development spending last year was $90.4m, of which 40 per cent was earmarked for Copaxone.

In New York, Teva's shares, which are quoted as American Depositary Receipts, have fallen from a high of $69 in April to about $47 yesterday.

"This is a more realistic and attractive price that ignores Copaxone," says Ms Kodish. "The issue Teva must remember is that it must not bite the hand that feeds it – namely, its generic division."

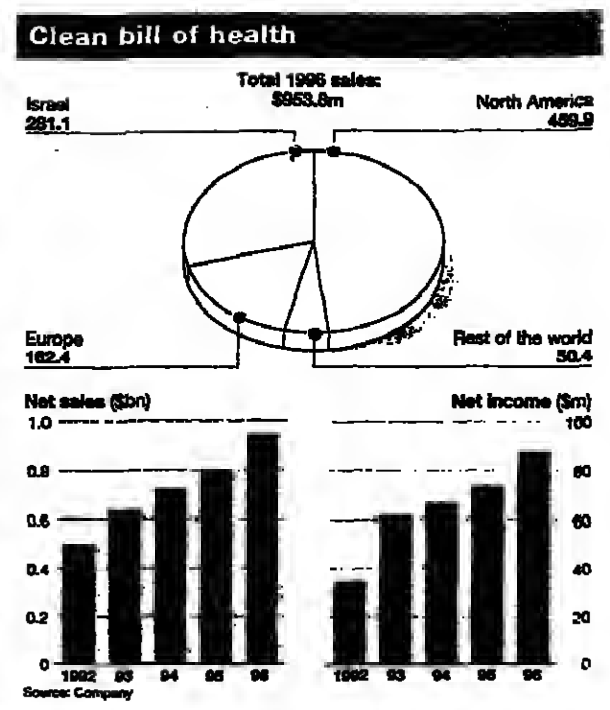
But just as Teva recognises the merits of its generic division and the potential of developing central nervous system drugs, it is also paying more attention to its active pharmaceutical ingredients division, which makes chemicals for the manufacture of pharmaceuticals. Teva is one of only a handful of independent generic drugs manufacturers that produces bulk chemicals. The division has annual turnover of $100m, and Lehman Brothers believes Teva will remain one of most important groups in this field.

With Teva's sharper focus on generic, innovation and chemicals divisions, it is hardly surprising that US pharmaceutical companies fear Israel's new patent law.

"They know we have established ourselves in the US market. We don't intend to go away," Mr Suesskind says.

Judy Dempsey

Clean bill of health



Toshiba links with Samsung in flash memory

By Michiyo Nakamoto in Tokyo

Toshiba and Samsung are linking up to support a format for 128-megabyte flash memory cards, which they hope will help establish a de facto standard in the growing market.

The Japanese and Korean electronics groups are supporting SmartMedia – Toshiba's brand of flash memory cards, which are used as memory storage devices in digital products.

The two companies have agreed a development schedule and plan to launch a SmartMedia card with a storage capacity of 128 megabytes in 2001.

The agreement highlights the growing competition to set the industry standard in flash memory cards. While the market for dynamic random access memory chips is expected to fall 25 per cent this year, the market for flash memory is forecast to rise by between 7 per cent and 8 per cent, said Toru Sasaki, industry analyst at SBC Warburg in Tokyo.

Since flash memory cards can store data in a small, light and cost-effective format, they are used in portable products such as mobile phones and digital cameras.

The growing use of mobile communications and networking equipment is expected to help lift the market's value from $2.6bn last year to $4.8bn in 2000, Mr Sasaki said.

The increasing use of flash memory cards in the photographic market, where they are used as the "film" in digital cameras, is also expected to boost the market.

SmartMedia has about 71 per cent of this market and its share is forecast to rise to 83 per cent this year, according to one industry estimate.

The increase in capacity to 128 megabytes – the current generation is 8 megabytes – would offer digital camera users greater storage and better visuals, Toshiba said.

However, Toshiba and Samsung, which have long collaborated in the development of flash memory technology, face competition from the alliances formed by Intel and Sharp, and Advanced Micro Devices and Fujitsu.

The two US-Japan groups have established their formats as de facto industry standards.

TO THE HOLDERS OF

OLYMPIA & YORK MAIDEN LANE FINANCE CORP.

10¾% Secured Notes Due 1995

NOTICE OF INFORMAL MEETING OF NOTEHOLDERS

10:00 a.m. January 7, 1998
Kelley Drye & Warren LLP
101 Park Avenue
Cook Conference Room, 29th Fl.
New York, New York

We previously advised you that The Home Insurance Company ("Home") and its affiliate, Risk Enterprise Management Ltd., had entered into an agreement in principle with Marine Midland Bank, as Successor Indenture Trustee (the "Trustee"), and Mitchell E. Radin, as Receiver for Olympia & York Maiden Lane Company LLC ("O&Y Maiden"), to settle the lawsuit between Home, O&Y Maiden and the Trustee which is pending in the New York State Supreme Court for New York County.

We are pleased to inform you that after extensive negotiations between the parties, we anticipate that final documents evidencing the settlement will be executed by year-end. Closing of the settlement is subject to several conditions. Among other things, the documents provide that Marine Midland Bank, as Trustee, has agreed to use reasonable efforts (i) to cause Olympia & York Maiden Lane Company LLC and Olympia & York Maiden Lane Finance Corp. (the "O&Y Entities") to be the subject of Chapter 11 cases under the United States Bankruptcy Code and (ii) to have the settlement documents approved by the Bankruptcy Court.

In order to cause the O&Y Entities to be the subject of Chapter 11 bankruptcy cases, both the Trustee and members of the ad hoc Committee of Noteholders have met with officers of World Financial Properties ("World"), the ultimate corporate parent to the O&Y Entities. After discussions, World has agreed to cause the O&Y Entities to file Chapter 11 petitions for a facilitation fee of $550,000 (plus legal fees in an amount still being negotiated). World, however, has expressed its concerns that, in light of the fact that the members of the ad hoc Committee do not hold a majority of the Notes, the Home settlement and any other actions to be taken with respect to the 59 Maiden Lane premises (the "Building") may not enjoy the majority support of the Noteholders.

Accordingly, to address those concerns and to afford the Noteholders the opportunity to express their views with respect to the Home settlement and the Building, the Trustee, together with the ad hoc Committee of Noteholders, have scheduled a meeting of all Noteholders to be held at 10:00 a.m. on January 7, 1998, at the offices of Marine Midland's counsel, Kelley Drye & Warren LLP, 101 Park Avenue, 29th Floor, Cook Conference Room in New York City. Representatives of World have indicated that they will be present at the meeting to respond to any questions or concerns raised by the Noteholders. Please note that this meeting is being convened as an informal meeting only, to allow the Noteholders to share their views and ideas; no votes are expected to be taken at the meeting.

As all of the Notes are in bearer form, the Trustee does not have a complete list of all Noteholders in order to communicate to the holders from time to time, as necessary. Accordingly, we ask each holder who wishes to be added to the Trustee's list to contact Mr. Marlo Carter, Vice President of Marine Midland Bank, 140 Broadway, New York, New York 10005-1180 (fax no. (212) 658-5426) and indicate the holder's name, address and contact person.

The Trustee continues to work closely with the ad hoc Committee of Noteholders in all of the foregoing matters. Holders interested in communicating with the Trustee should write to Mr. Marlo Carter at the address set forth above. Counsel for the Trustee is David E. Retter, Esq. of Kelley Drye & Warren LLP. Counsel for the ad hoc Committee and special counsel to the Trustee is Daniel Golden, Esq. of Stroock & Stroock & Lavan LLP. Holders interested in joining the Committee are urged to call either Mr. Golden (at (212) 806-5423) or Mr. Retter (at (212) 808-7575).

Marine Midland Bank
as successor Indenture Trustee

December 11, 1997

Bahia Bank

Bahia Bank Limited presents its new corporate identity:

B
BM Bank

There has been no change in shareholding control nor in any other feature of the institution.

The following companies held by BBM Bank Group have changed names:

Bahia Bank Limited	BBM Bank Limited*
Bahia Securities Inc	BBM Securities Inc*
Banco da Bahia Investimentos SA	Banco BBM Investimentos SA
Bahia Corretora de Câmbio e Valores Mobiliários SA	BBM Corretora de Câmbio e Valores Mobiliários SA
Banco da Bahia SA	Banco BBM, Comercial, Crédito Imobiliário, Crédito, Financiamento e Investimento SA*

*currently under approval

Joint venture with Snecma ends as UK group withdraws in £208m transaction

TI pulls out of Messier-Dowty

By Andrew Edgecliffe-Johnson

TI Group signalled the end of the UK's long-standing leadership in aircraft landing gear yesterday with a £207.5m ($346.5m) exit from its Messier-Dowty joint venture with Snecma, the French aerospace group.

The latest unravelling of an Anglo-French alliance came just three years after Messier-Dowty's formation, and reflected TI's disappointment with the venture's performance and with the fact it had not been able to take 100 per cent control.

The disposal leaves TI with scope for up to £600m of bolt-on acquisitions across its three divisions, according to Sir Christopher Lewinton, its chairman.

TI said that in 1994 it had expected to buy Snecma's 50 per cent stake out after three years. Two changes of chairman at Snecma and a change of government in France had closed off that option.

Sir Christopher said: "The financial performance of the business has not been to the level where we can demonstrate the returns our shareholders expect, so we have taken advantage of this point in the cycle to get out at what we believe is a premium price."

In 1996 Messier-Dowty made operating profits of £22m on turnover of £247m – an operating margin of just 9 per cent. The repair and overhaul business which is being sold with Messier-Dowty made profits of just £2m on sales of £32m in the period.

The two businesses had combined net assets of £66m, and Messier-Dowty had £62m of net debt at December 31 last year.

The disposal leaves Dowty, which TI acquired for £650m in June 1992 and which was already smaller than its John Crane or Bundy divisions, with an aerospace business with annual turnover of £300m.

Profits from aerospace doubled in the six months to June 30, and Sir Christopher stressed that TI remained "fully committed" to aerospace and to Dowty's polymer engineering business, which is now in John Crane.

Sir Christopher said the sale should silence critics who accused TI of overpaying for Dowty. "I got my timing wrong in that the aerospace industry turned up two years later than I expected, but fundamentally it proved to be the right deal," he said.

Martin Angle, finance director, said the net proceeds of £175m for the Messier-Dowty stake compared to the £135m enterprise value placed on it in January 1995, but that TI had "created £400m of value for shareholders" from the Dowty deal.

Airtours basks in sun as holidaymakers dig deep

By Scheherazade Daneshkhu, Leisure Industries Correspondent

Higher sales of cruises and long-haul holidays helped Airtours, the acquisitive package holiday group, report a 39 per cent increase in full-year pre-tax profits, which was at the higher end of expectations.

However, after a recent strong run, the shares closed 32½p lower at £12.02¾.

Jason Holden, leisure analyst at NatWest Securities, said: "With the market still expecting upgrades and with the Monopolies and Mergers Commission inquiry around the corner, it is not surprising they fell back."

Pre-tax profits rose from £86.8m to £120.3m ($201m) on sales 27 per cent higher at £2.2bn.

Recovery in the UK lifted the country's contribution to total operating profits of £98.9m from 53 to 66 per cent in the year to September 30.

David Crossland, chairman, said improved economic conditions and a feeling of job security had encouraged people to buy more expensive holidays.

"People are trading up," he said. Building society "windfall" bonuses were feeding into summer 1998 bookings which were up 15 per cent.

Overseas sales increased from 45 per cent of the business to 48 per cent.

Operating profits in the Scandinavia business rose by 13 per cent to £38.5m, despite a hot summer which discouraged overseas travel.

The North American division reported a £4.9m loss (£1.9m profit) because of start-up costs of Sunquest, its Los Angeles-based business, and poor trading conditions in western Canada.

Costa Crociere, the Italian cruise line bought last year for £169m in a joint venture with Carnival, Airtours' largest shareholder, contributed £5.1m.

Mr Crossland said that the group had about £250m to spend on acquisitions and was looking primarily at Germany and the US.

The group's rapid overseas expansion has helped the share price double in a year. It proposed a 2-for-1 share split yesterday.

An MMC report into competition in the industry was submitted last month to the Department of Trade and Industry which is expected to issue recommendations early next year.

A final dividend of 16p, makes a total of 20p (16p).

Tim Byrne, finance director (left), with David Crossland and Harry Coe, managing director

Wanless memo queries bank's decisions

By Financial Times Reporters

The commitment of resources to build the equities derivatives operation of National Westminster Bank was not subject to the "same business case rigour" as acquisitions carried out by the bank, Derek Wanless, NatWest's chief executive, stated in a boardroom memo seen by the Financial Times.

The memo is dated July 8, five months before NatWest's announcement last week that it was selling its European equities and derivative operations for a combined price of £179m to Bankers Trust of the US and German-owned Deutsche Morgan Grenfell. It was circulated to board members after Mr Wanless publicly announced that a review of NatWest Markets was under way, following the discovery of a £77m loss caused by mispricing derivatives.

The memo underscores concerns about the cost of building the equity derivatives operation. This is thought to have been an influential factor in the decision to dispose of parts of NatWest Markets, its investment banking operation.

The document, made available to the Financial Times by a group of UK institutional shareholders, is seen by investors as evidence of weak management. The group is attempting to force boardroom change at NatWest, whose shares have underperformed the rest of the UK bank sector in the past three years.

The investors are critical of Mr Wanless and Lord Alexander, chairman, for allowing resources to be allocated to build up the equity derivatives operation without fully analysing the business case.

NatWest declined to comment on the memo and the moves by shareholders to force boardroom change.

Mr Wanless stated that a main concern was the underperformance of Global Equities. "The organic growth of resources devoted to building up Equity Derivatives was not subject to the same business case rigour as applied to the acquisitions, particularly in relation to funding requirements."

The acquisitions include Greenwich Capital Markets, the debt trading operation, Hambro Magan, the UK corporate finance boutique, and Gleacher, the US mergers and acquisitions operation.

At one point in the memo Mr Wanless discussed strengthening "the ring-fencing of deposit-taking from trading activity".

Global Equities was headed from 1996 by Tom Whelan, formerly at Morgan Stanley. He joined NatWest Markets' executive committee and proceeded to recruit a number of his former Morgan Stanley colleagues in an attempt to build up the business. However, by the time of the July memo Mr Wanless was stating that, given the degree to which the NatWest Markets profit targets were "so dependent on very strong forecast improvement in equities, one of the priority outstanding actions is an independent validation of the Equities strategy as a matter of urgency. This must be completed before a choice between options can sensibly be made".

He added that the review "takes place within the context of a number of different but related factors. It is not just about responding to the options mis-pricing, although that has increased investors' existing doubts about our pace of development and the management difficulties in delivering adequate returns". He also mentions "delays in equities in getting appropriate approvals for its derivatives business" as one of the reasons for NatWest Markets' poor performance.

Mr Wanless stated that the review was being undertaken to achieve "improved control, regulatory and risk management capabilities, especially with regard to liquidity in the internal funding of group businesses, and achieving compliance with the Bank of England Treasury Concession".

Brussels clears Lonrho JCI deal

By Our Financial and International Staff

The European Commission has removed a substantial barrier to a takeover of JCI, South Africa's first black-controlled mining group, by Lonrho, the London-based conglomerate.

The Commission agreed that, subject to conditions, JCI could complete a deal to swap some gold mining assets for a 28 per cent stake in Lonrho owned by Anglo American Corporation of South Africa. Lonrho said the Commission's clearance was "the last link" in its plan to acquire JCI. Its main aim is to buy back the 28 per cent stake and finally regain some control over its shareholder register.

A cash takeover by Lonrho would mark the end of JCI's short history as a vehicle for black economic empowerment after the sale in November 1996 of Anglo's controlling stake in JCI to a consortium of black investors.

Lonrho and JCI confirmed this week they were in talks, though Mzi Khumalo, JCI's chairman, insisted they were discussing a "merger" rather than a takeover.

Despite the Commission go-ahead, JCI shares fell sharply. Fears that JCI might resist and the deal collapse sent them down 7.5 per cent, or R1.75, at one stage before they rallied to close down R1.10 at R22.90.

Analysts suggested JCI deals in the pipeline would yield R3bn ($600m) cash, or about R20 a share, and that Lonrho was tentatively offering £450m to £500m, about R26 a share. Mr Khumalo said after a stormy JCI board meeting on Tuesday that he believed the company's value was "north of R35 a share". JCI's assets were worth the R54.50 a share paid by the black investors last year.

At the meeting, directors complained that Mr Khumalo and fellow director Brett Kebble seemed to have been acting unilaterally in pursuit of their own interests. They halted a deal for JCI to buy 20 per cent of Southern Mining, a Johannesburg listed company.

But they agreed in principle to the unbundling of JCI's remaining gold assets.

After negotiations with the European Commission, Anglo has agreed to cut its holding in JCI to a passive one of no more than 10 per cent. It will give up its right to representation on the board and certain veto rights.

France fuels Sage advance

By Christopher Price

The buoyant European computer services market helped Sage, which specialises in accountancy software, increase annual pre-tax profits by 25 per cent from £30.1m to £37.6m ($62.8m).

Sales rose 12 per cent to £152.1m in the year to September 30. Strong performances from the UK and French operations underpinned the rise, and there was also a first contribution from the German subsidiary purchased this year.

Paul Walker, chief executive, said more acquisitions would follow. The group was keen to increase its presence in the US, Italian and Dutch markets.

Profits from the UK increased 20 per cent to £24.4m. The Sage brand had been successfully launched in continental Europe during the year, and would be used alongside existing local brands, said Mr Walker.

European profits, which consisted mostly of the French operations, rose 42 per cent to £11.8m. Competition and currency considerations in the US restricted profits growth there to 8 per cent, to £3.9m.

Mr Walker expressed concern that Sage had received little response from its warnings to prepare for the millennium "time-bomb". However, it was beginning to receive interest from French and German companies over products to deal with European monetary union. In addition, the group saw significant opportunities from the internet and electronic commerce, which would also drive product development.

Old Mutual to buy CCM

By Jane Martinson, Investment Correspondent

Old Mutual, the South African life assurance group, is to buy Capel-Cure Myers, the fund manager, for an undisclosed sum understood to be between £60m and £80m ($134m).

Capel-Cure Myers, which is owned by Canadian Insurance Group, manages about £5bn in assets, mainly from private clients.

Garth Griffin, managing director of Old Mutual, said the acquisition formed part of the group's strategy to focus its retail business on high net worth individuals, defined as people with between £50,000 and £2m to invest.

Old Mutual's strategy over the past 18 months has been to shift away from its traditional life assurance business in Africa.

Yesterday's acquisition takes Old Mutual's funds under management to £10.3bn excluding Africa and £30bn in total.

The group, which plans to demutualise within the next two years, is still keen to expand through further acquisitions. Mr Griffin said yesterday: "I would be disappointed if this was the end to further purchases."

However, he indicated that particular care would be taken over acquisitions in the run-up to a listing.

Capel-Cure Myers will continue as a separate entity with the same name, offices and executives. Mr Griffin said he would look for "operating synergies" but had no plans for large-scale redundancies among Capel-Cure Myers' 420-strong London staff.

Triplex denies bid rumours

By Richard Wolffe

Triplex Lloyd, the specialist castings group, yesterday denied rumours that it was in takeover talks with Doncasters, the Midlands engineer with a US listing.

Triplex dismissed as speculation the rumours that it was negotiating a price of 280p a share with Doncasters, as well as the possible break-up of Triplex's automotive and petrochemical operations. Triplex shares closed unchanged at 229½p.

The Black Country-based group – which lost the acrimonious hostile bid for rival William Cook earlier this year – has been at the centre of bid rumours for several weeks. In October it said it was in talks with an unnamed company. Colin Cooke, chairman, said yesterday: "As far as I am concerned, I am not in talks with anybody."

THE DAVID THOMAS PRIZE

David Thomas was a Financial Times journalist killed on assignment in Kuwait in April 1991. Before joining the FT he had worked for, among others, the Trade Union Congress.

His life was characterised by original and radical thinking coupled with a search for new subjects and orthodoxies to challenge, particularly in the fields of industrial policy, third world development and the environment.

In his memory a prize has been established to provide an annual study/travel grant to enable the recipient to take a career break.

In this seventh year of the prize, the theme is: What is the future of work? The prize will be worth not less than £3,000.

Applicants, aged over 40, of any nationality, should submit a typed entry of up to 800 words in English, together with a brief c.v. and a proposal outlining how the awards would be used to explore the theme further. Equal weight will be given to the essay and the proposal. Please keep David Thomas's interests in mind when writing both the entry and the proposal. The award winner will be required to write a 1500 to 2000 word essay at the end of the study period. The essay will be considered for publication in the FT.

CLOSING DATE JANUARY 5 1998

Applications to:
Robin Pauley, Managing Editor
The Financial Times (F)
Number One Southwark Bridge
London SE1 9HL

FINANCIAL TIMES
No FT, no comment.

Christie's back in bid talks

By Robert Wright

Shares in Christie's International showed another strong rise yesterday after the fine art auctioneer said it was back in talks with a mystery bidder.

The company had announced on Monday it had broken off talks with an unnamed bidder because the terms were not attractive enough. Yesterday it said it had received a modified preliminary approach. The company said the approach was made with a view to a possible recommended offer for the company.

The shares rose 30p to 305p. The price was languishing at 224½p just over two weeks ago, before the start of bid speculation. Rumours as to the bidder's identity have focused on Joe Lewis, the Bahamas-based investor, who holds 29.9 per cent of the shares. However, Mr Lewis appears to have ruled himself out as the bidder.

Guy Bell, an analyst at Beeson Gregory, said Christie's had always been ripe for bid speculation. It had never got to the stage of formal announcements before, however. It was hard to see who would be interested in the company.

He said: "It's not a particularly reliable performer. It's doing quite well at the moment, but it is in the middle of a bit of a boom."

In the six months to June 30, pre-tax profits rose 20 per cent to £19m on turnover up 15 per cent at £557m.

Lex, Page 12

RESULTS

	Period	Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Airtours	Yr to Sept 30	2,174	(1,716)	120.3	(86.8)	63.82†	(49.23)	16	Feb 16	12.75	20	16
Bogod Φ	6 mths to Sept 30	2.98	(2.87)	0.218	(0.116)	2.56	(1.35)	0.15	Feb 4	0.12	-	0.45
British Land	6 mths to Sept 30	140.5□	(147.8□)	51.6	(34.2)	8.4†	(5.4)	3.07大大	Feb 20	2.92	-	9
Bulmer (HP)	6 mths to Oct 24	154.2	(162.8)	14.3	(16.6♠)	17.63	(20.21)	5.2	Feb 16	4.6	-	14.52
Claybithe	6 mths to Sept 30	14	(13.9)	0.109	(0.05L♠)	0.5	(0.2L)	1	Feb 6	0.88	-	3.45
Drummond	6 mths to Sept 30	28.3	(29.7)	0.503	(0.805)	1.56	(2.97)	0.5	Jan 23	0.5	-	2
Firth Rixson	Yr to Sept 30	157.1	(138.8)	16.1	(5.06♠)	8.2	(2.2)	2	Mar 12	1	2.8	1.4
LPA Inds	Yr to Sept 30	5.28	(5.75)	0.365♠	(0.426♥)	2.84	(3.38)	1.15	Feb 25	0.97	2.25	1.94
Metroline	Yr to Oct 10	36.4	(37.1)	4.27♥	(3.01♥)	17.94	(9.07)	1.6	Mar 6	-	1.6	-
Morland	Yr to Sept 30 ★	103.9	(83.4)	16.6	(14.3)	41.2†	(37.9)	8.39	Jan 30	8.15	13.18	12.75
NFC	Yr to Sept 30	2,412	(2,463)	87.8♠	(105.2)	5.7	(8.9)	4.6大	Mar 2	4.6	7.1	7.1
Powderject	6 mths to Sept 30	0.414	(0.128)	2.79L♠	(0.687L♠)	4.97L†	(2.03L)	-	-	-	-	-
Sage	Yr to Sept 30	152.1	(136.2)	37.6	(30.1)	23.43	(18.5)	1.93	Feb 23	1.76	2.9	2.64
Scottish Hydro	6 mths to Sept 30	462.5	(416.8)	71.9	(61.3)	14.61‡‡	(12.37)	5.81	Mar 18	5.28	-	17.64
Smith (David S)	6 mths to Nov 1	554.6	(515.4)	29.3	(58.6)	7.1	(14.1)	2.7	Mar 18	2.6	-	8
Vibroplant	6 mths to Sept 30	23.9	(17.8)	0.821	(0.491L)	1.23	(0.71L)	1.4	Jan 8	1.4	-	4.05
Weeks Φ	6 mths to Sept 30	6.83	(6.34)	0.564	(0.497)	0.3†	(0.3)	0.044	Jan 30	0.04	-	0.1
Wintrust	6 mths to Sept 30	-	(-)	1.9	(1.88)	13.28	(10.94)	4.84	Mar 31	4.4	-	13.75

Investment Trusts	Period	NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Close Protected VCT	50 wks to Sept 30	95.3	(-)	0.386	(-)	1.5	(-)	0.88	Jan 23	-	0.88	-
Limit	6 mths to Sept 30	145.4	(119.3)	7.89	(6.05)	2.73	(2.16)	2	Jan 27	1.75	-	12#
New Zealand	Yr to Oct 31	209.79	(250.83)	0.644	(0.633)	5.85	(5.85)	4.75	Feb 27	4.35	4.75	4.35

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ΦAim stock. □Gross rental income. 大Foreign income dividend. 大大Includes FID element. ★Comparatives restated. ‡‡Excludes windfall tax. #Includes special.

CONTRACTS & TENDERS

TENDER INVITATION
for a Hungarian Investment Project

The tenderee (owner) expects bids in connection with the purchase of a 12,000 square meter area situated in the centre of Budapest, the capital city of Hungary, presently used as a trotting race-course, and for the realisation of an investment project aimed at the infrastructure development of Hungarian horse racing on the gallop race-course which is also situated in Budapest. Only joint bids are accepted. The project is worth several billion Hungarian Forints (HUF).

The date and place of submitting bids:
16th January 1998
Nemzeti Lóverseny Kft.
(National Horse Racing Ltd.)
Hungary, 1087 Budapest, Kerepesi út 9.

The "Tender Document" including detailed conditions of the tender, data about the property for sale and details of the investment project is available in English at the same location.

The tenderers must appoint a delivery assistant in Hungary.

30 Group of Thirty

A New Regime for Foreign Direct Investment
Occasional Paper 53 - Sylvia Ostry
Sylvia Ostry considers current developments that may launch comprehensive multilateral investment negotiations and the principles such negotiations should include.
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TECHNOLOGY

Marcus Gibson on why an Englishman took his ground-breaking ideas to the US

Perfect images on display

It is not often that an Englishman goes abroad and becomes the guiding light for one of the fastest-growing sectors of the US electronics industry.

But this has been the achievement of Malcolm Thompson, a former professor of electrical engineering at Sheffield University and one-time chief technologist at Xerox's famed Parc think-tank in Palo Alto, California.

In the past the US has lost out to the Japanese in several sectors of electronics manufacturing. But over the past five years Dr Thompson, 52, has fought to build a US manufacturing base in sophisticated computer monitors known as active-matrix flat panel displays. The displays, in which each pixel is linked to its own transistor, are widely viewed as the natural successors to conventional cathode ray tubes.

In the teeth of indifference and bureaucratic opposition, he founded and championed the US Display Consortium, a unique collaborative body that brings together 150 leading US companies, government agencies and various sector associations.

The story began in the early 1990s when Dr Thompson was among the first to recognise that active-matrix flat panel monitors could not only produce astonishingly detailed images, but also carry full motion video without the smearing that often plagues cathode ray tubes.

Such monitors – in effect the first "paper-quality" screens – are unaffected by magnetic fields, are almost distortion-free and require no bulky shielding in uses such as jet aircraft.

Their lightness means easy portability, but the crucial question Dr Thompson asked at the time was: would the US have any part in it when it had no manufacturing capability? "It is pointless to have 1 per cent or 0.1 per cent of any business," he says.

In 1992, 10 years after Dr Thompson arrived at Parc, he invited a dozen key industry figures to a Thai restaurant in Palo Alto. "For just $35 – the cost of the wine – the technical and business 'road maps' of the USDC were laid down," he says.

By playing the role of an "honest broker Brit with no axe to grind" to maximum effect, Dr Thompson persuaded bitter rivals to work together for mutual benefit. He insisted that companies joining the consortium should surrender intellectual property rights over manufacturing processes, and thereby "shut out" the lawyers at the outset.

Malcolm Thompson, an 'honest broker Brit', and an active-matrix flat panel display screen

When many of the companies – buyers or suppliers of displays – hesitated, Dr Thompson demanded: "Do you really want to be in the manufacturing equipment business?" No, they replied. "Then why are you so worried about intellectual property rights?" he retorted. Consent followed swiftly.

"I think at least 50 per cent joined because they were afraid they might lose out if they did not," says Dr Thompson.

The consortium opened its doors in July 1993, and Dr Thompson's vision began to turn into a classic model of top-level trans-sector co-ordination.

First, the three levels of the business – display buyers, display manufacturers and makers of display manufacturing equipment – were brought into a single forum, including Planar, Texas Instruments and Motorola.

Next, member companies discovered they could collaborate on projects, find buyers for product ideas or simply keep abreast of other projects' progress. They could even have their own technology judged independently by technical committees.

Today funds committed to working relationships by USDC members stand at $110m (£66m). "Thompson is the quiet bulldog," says Peter Mills, a former senior executive at the San Jose-based consortium. "He never gives up."

The obstacles Dr Thompson experienced in setting up the consortium were mirrored in his efforts to get Xerox involved in flat panel manufacturing.

In 1995 he had led the Xerox team that built a world record-beating 7m-pixel, 14in active-matrix flat panel screen.

The group's success has profound lessons for Europe to promote high-risk technologies

Japanese visitors to Parc were astounded by Xerox's achievements, which far exceeded their own efforts. The pixels were etched on to glass, not silicon, providing much greater clarity than the half million pixels typically found in laptops. The system offered resolutions that were five times higher than those of high-definition television.

Later in 1995 Dr Thompson brokered an alliance between Xerox and AT&T to build a pilot manufacturing plant at Xerox, financed by $50m from the Defence Advanced Research Projects Agency (Darpa). But elation soon turned to frustration: Darpa funds were delayed, and worse still, AT&T withdrew. Dr Thompson warned Darpa that without urgent action Xerox would exit as well. He also had to overcome opposition within Xerox about going it alone.

In March last year Xerox finally launched the first-ever spin-off company to emerge from Parc, named dpiX – a play on "dots per inch".

While the consortium gathered speed, dpiX, whose chief executive is Dr Thompson, quickly prospered. In an ultra-modern factory across the street from Parc, the first wave of products appeared. These included the first of 30,000 US-made flat panel displays for US air force and RAF Hawk jet aircraft.

Markets are also emerging in medical diagnostics, where the improved image clarity and readability could help deliver faster, more accurate diagnoses. Instant-scanning machines, for example, could tell doctors immediately if a patient's neck was broken.

Tim Bajarin, president of Creative Strategies, one of Xerox's partners, says: "The quality of the display itself has become the key technology focus of the computer."

Meanwhile, news of the consortium's success has spread. The Japanese equivalent, which includes NEC, Sanyo and Sharp, visits it once a year to compare notes and work out common industry standards. And the South Korean electronics groups, which are still riven with the kind of rivalry that once bedevilled the US sector, are ready to copy the consortium's model. "It's a net gain for everybody," says Dr Thompson.

Recently USDC entered politics. The board advised US president Bill Clinton's technology policy staff and US Congressmen on the strategic and economic importance of flat panel technology, much of it behind closed doors.

Dr Thompson says growth trends in the flat panel display sector equate to the early development of semi-conductors. By 2000, global revenue from flat panel displays is expected to reach $20bn, up from $11bn last year, says US sector analysts Stanford Resources.

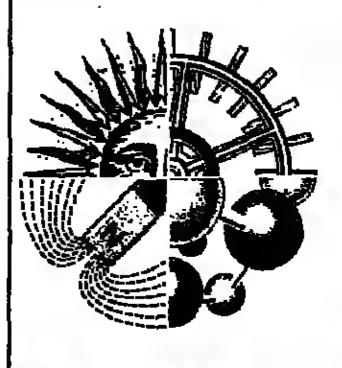
The success of the consortium has profound lessons for Europe, which could do well to copy such dynamic, pan-regional collaborations to promote fast-track, high-risk technologies. Yet Dr Thompson feels the chances of Europe copying the consortium model for flat panel displays, or many other industries, are not good.

Sector fragmentation, lack of critical mass, dependence on external manufacturing and overstaffed government bureaucracies result in much slower development, he says. "You need a driving force. Someone must take the initiative."

Dr Thompson believes that any organisation related to the European Commission could not do the job. "You'd probably have 10 people from each country represented," he says. "The USDC has just six full-time employees, and the entire Darpa budget of $4-5bn annually is overseen by some 80 individuals.

"European trade bodies come here [to the US] loaded down with officials and support staff – but relatively few technicians."

Worth Watching · Vanessa Houlder



Shock research on mine detection

Plastic landmines pose a particularly worrying threat to civilian populations: they are cheap, easy to make, and they cannot be detected by conventional technology.

But research under way at the University at Buffalo might lead to an accurate and inexpensive method of detecting both metal and plastic landmines.

The technique involves sending weak shock waves into the soil, possibly using cheap microelectronic devices that could be dropped by an aircraft. Acoustic signals would be reflected off buried objects such as landmines, providing information about their size and shape. The next step in the work, which is being funded by the US Army Corps of Engineers, will be experimental tests.

University of Buffalo: US, tel 716645262; e-mail goldbaum@newsb.buffalo.edu

Plant gene project bears fruit

A tiny tomato plant that grows to a height of only 10cm is the basis of a technique developed by the Weizmann Institute in Israel to speed up the identification of commercially valuable genes in plants.

Identifying plant genes is a laborious process, in which radiation and chemicals are used to create random mutations in the plant's genetic code, which can then be linked to traits such as shape or taste.

This process can be speeded up by using a genetic material called "transposons" which mark the exact spot on the plant's genome where a mutation has taken place. It can also be accelerated by using large populations of the miniature tomato plants. These are so small that researchers can grow up to 1,000 plants per square metre. They also grow so rapidly that four generations of the plants can be produced every year.

Weizmann Institute: Israel, tel 97289343555; web, www.weizmann.ac.il

Finding faults in chromosomes

Spectral Imaging, an Israel-based company, has developed an imaging technique to locate genetic aberrations in chromosomes. It is already being used in cancer research and could find applications in prenatal diagnostics research.

Its system, known as SpectraCube, relies on a combination of high performance imaging, computing and spectroscopy. It rapidly measures the spectrum of light from each point of a microscopic sample simultaneously, which is then analysed using powerful algorithms.

Applied Spectral Imaging: Israel, tel 97265547567; web, www.spectral-imaging.com

Total recall for phone repeaters

The performance of mobile telephones in remote areas depends on digital repeaters that re-transmit signals to a base station. But the repeater stations need their own source of power, which can be a problem in remote areas. Generators require fossil fuel, while batteries must be replaced or recharged at regular intervals.

Solar power is the answer, according to researchers at the Fraunhofer Institute for Solar Energy Systems. They have developed a photovoltaic hybrid system which, they say, is cost-effective, rarely needs maintenance and has a long life. The computer-controlled system combines photovoltaic cells with a rechargeable battery and a gas-powered generator, which is only needed during prolonged periods of bad weather.

Fraunhofer Institute for Solar Energy: Germany, tel 7614588227; fax 7614588217.

HELLENIC REPUBLIC
MINISTRY OF DEVELOPMENT
Request for Proposals (R.F.P.)

The Ministry of Development hereby invites interested parties for an international public tender process with sealed bids (without counter-bids), for the tourist development and long-term use, development operation of an area of 1,780 "stremmata" (1 stremma=1,000 m²) in the District of AFANTOU of the Island of Rodos.

The bidding process will be administered by a Bidding Committee, set up for this purpose at the offices of the Ministry of Development, at 2 Amerikis Street, 5th Floor, Conference Room, on Monday 09/02/1998 from 10:00 to 12:00 hours.

All interested parties can obtain all the necessary information from the following day of this publication for Request For Proposals from the Ministry of Development offices at 2 Amerikis Street, 5th Floor, Room 534, Athens, Monday-Friday from 11:00 to 14:00 hours.

The Minister of Development
Vasso Papandreou

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LEGAL NOTICES

INSOLVENCY ACT 1986

EUROPEAN SMALLER COMPANIES PLC

(IN MEMBERS' VOLUNTARY LIQUIDATION)

NOTICE IS HEREBY GIVEN pursuant to Rule 4.106 of the Insolvency Rules 1986 that Christopher John Barlow and Nigel Steven Hill of Plumtree Court, London EC4A 4HT were appointed Joint Liquidators of the above named Company on 5 December 1997 by the members.

The above Company has been placed into a solvent liquidation process.

In order to formally establish the claims of creditors against the Company notice is also hereby given that the creditors of the Company are required on or before 31 January 1998 to send in writing their names and addresses and the particulars of their debts or claims, and the names and addresses of their Solicitors (if any), to Christopher John Barlow and Nigel Steven Hill of Plumtree Court, London EC4A 4HT, the Joint Liquidators of the said Company.

If so required by notice in writing from the said Joint Liquidators, such creditors, either personally or by their Solicitors shall attend at such time and place as shall be specified by the Joint Liquidators to prove their debts and claims, in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

A proof of debt is a document stating the amount of the creditor's claim and (subject to Rule 4.76 of the Insolvency Rules 1986) may be in any form.

Dated December 8 1997

CHRISTOPHER JOHN BARLOW and NIGEL STEVEN HILL Joint Liquidators

NOTE: This notice is purely formal. The Company is solvent and all known creditors will be or have already been paid.

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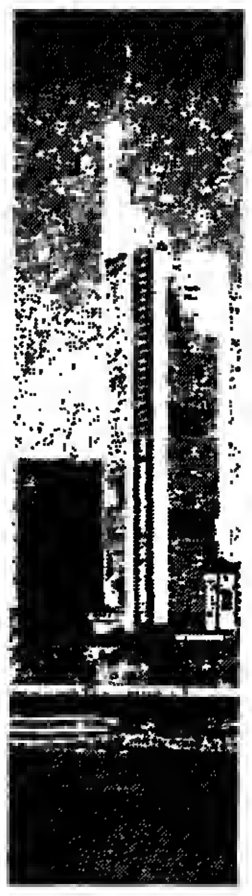
VIEWPOINT
Special Edition

A timely message to Commerzbank's international clients and shareholders

Commerzbank broadening reach and expertise in Global Equities



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EARNINGS UP 52% AFTER NINE MONTHS 1997. In the first three quarters of 1997, the Commerzbank Group posted a pre-tax profit of DM 2.54 billion – a 52% increase over the comparable year-earlier period. This result surpassed the record earnings of the entire year 1996 by more than one-third, well ahead of projections for the current year. Total assets advanced to DM 515 billion. Including a capital increase of DM 1.6 billion in October, the Group's equity capital is DM 15.1 billion. After-tax return on equity is nearly 15%, positioning Commerzbank as one of Germany's most profitable financial institutions.

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COMMERZBANK

UK gilts outperform in Europe

GOVERNMENT BONDS

By Vincent Boland in London and John Authers in New York

Government bond markets ended mixed yesterday as the spotlight switched to equity markets after a sharp early fall on Wall Street.

Most of the markets' investors were waiting for figures to be released today on US retail sales for last month, and were content to sit out the day on the sidelines.

UK GILTS were again the best performing of the European markets as the positive tone set by this week's benign inflation outlook continued to impress investors.

The minutes of the November meeting of the Bank of England's monetary policy committee showed, however, that it did not believe UK interest rates had yet peaked.

The March futures contract settled $\frac{6}{32}$ higher at $120\frac{18}{32}$ in moderate volume of about 58,000 trades, while the spread over 10-year German bunds was unchanged at 111 basis points after a modest rise in bunds.

Earlier, the gilt market had shrugged off a disappointing outcome to the Bank of England's auction of £2bn of the new 6.5 per cent five-year benchmark bond.

The auction attracted bids for 1.77 times the amount on offer, but traders had been expecting a higher subscription, of at least twice the offer.

However, Kevin Adams, gilt strategist at Barclays Capital, said the five-year sector had rallied ahead of the auction so the new bond was trading expensively, which accounted for the lacklustre demand.

GERMAN BUNDS staged a modest recovery and pushed other European markets slightly higher. The March contract settled up 0.09 at 103.76 but in low volumes in both London and Frankfurt.

The yield on the 10-year bund stood at 5.39 per cent, down marginally from the previous session and again heading for its record low.

Analysts said bund investors were quiet ahead of today's US retail sales figures, underlining the continued influence of the Treasury market to set the overall tone of markets, even if Europe occasionally has a day when domestic factors predominate, as happened on Monday.

However, the modest rise was enough to underpin small gains elsewhere. FRENCH BONDS edged slightly higher, with the December and March contracts each settling up 0.06, at 100.72 and 100.26 respectively. The spread over 10-year bunds stood at just one basis point.

Earlier the December contract had touched its high of 100.86 but failed to break through it. Much of the day's modest activity was dominated by rolling over from the December to the March contract.

SPANISH BONOS had a very quiet session ahead of official data on November inflation, which are expected to be released tomorrow. If the figure remains modest – inflation in the year to October was 1.9 per cent – the Bank of Spain is expected to go ahead with a long-awaited interest rate cut.

However, any rate cut has been firmly discounted in bono prices, and analysts said the danger was on the downside. The December bono futures contract settled 0.02 lower at 105.42, while the March contract settled 0.02 higher at 104.99.

The US TREASURY market was quiet in morning trading as continued problems in the emerging markets and in US equities allowed bond yields to benefit from further "flight to quality" buying.

Rumours about the health of Boris Yeltsin, the Russian president, helped sentiment, as did concerns about the International Monetary Fund bail-out for South Korea and attempts to stabilise the Japanese banking system.

By mid-session, the benchmark 30-year Treasury long bond had gained $\frac{1}{32}$ to $100\frac{3}{32}$, yielding 6.109 per cent. There were similar gains across the yield curve, with the two-year bond up $\frac{1}{32}$ to $99\frac{27}{32}$, yielding 5.726 per cent.

There was very little news to stimulate the market, and volumes were generally thin, although third-quarter current account figures, which were better than expected, may have affected trading.

Prices fell slightly in early trading, but soon staged a recovery as other markets continued to suffer deep concern about the Asian economy and its possible effects on the US.

Kevin Logan, chief markets economist at Dresdner Kleinwort Benson in New York, said it was hard to be aggressively short in the US bond market at the moment.

"People are convinced that the Federal Reserve will not tighten monetary policy given the international situation," he said, "and there's great apprehension that at any moment some international event could happen which would push the Treasury market back up again."

Biggest fund launched in Egypt

By Mark Huband in Cairo

Egypt's six largest financial institutions have launched the country's biggest single managed investment fund, with authorised capital of E£1bn ($294m) earmarked for domestic securities.

The five-year, closed-end Egyptian International Fund, formed after two months of negotiations, will be the largest of the country's 16 domestic managed funds.

The leading stakeholder is the $23bn state pension fund, which has invested E£200m.

The second largest shareholder is Misr Insurance Company, which has invested E£100m. Equal shareholders with E£50m are Egypt's four state-owned banks – National Bank of Egypt, Banqua Misr, Banque du Caire and Bank of Alexandria.

The fund, into which E£500m had been deposited by yesterday, is expected to reach E£1bn in six months and grow further, particularly if Egyptian share prices remain at their current attractive level.

The EIF will be managed by Cairo-based Concord International Investments, which currently maneges two onshore and two offshore Egypt funds.

"With price earnings ratios getting closer to what they were in 1996, we couldn't be happier about the timing of the new fund's finalisation," said Mohamed Younes, Concord chairman.

The launch of the EIF is a significant step forward for state-owned financial institutions whose investment potential the government is determined fully to exploit.

CAPITAL MARKETS NEWS DIGEST

Gilt auction fails to boost strips

A Bank of England auction yesterday failed to lift interest in the UK's new gilt strips market. The market has been subdued since its launch at the start of last week, struggling to overcome unfortunate end-of-year timing and uncertainty over interest rates. In the market the component parts of a conventional gilt are separated and traded as distinct securities.

Like the last big innovation in the UK government bond market – the introduction of repo trading in January last year – the strips market is being closely watched by potential investors. But most appear to be waiting for someone else to try it out first.

The Bank yesterday auctioned a £2bn tranche of a new five-year strippable gilt, bringing to eight the number of gilts available for trading in the market – which now has a valuation of some £90bn. By some estimates this makes it the third biggest strips market in the world, after the US and France. Many analysts said the market should become much more active from early next year, when big fund management and life assurance companies, seen as the main investors in strips, had assessed its usefulness for their investment strategies.

"The natural time for people to buy strips is when they are very bullish. Everybody is just a little cautious at the moment," said Colin Harte, head of bonds at Gartmore Investment Management. "People have been dabbling a bit but there won't be a big push until next year."

There has been some bestant trading and evidence of early foreign investor interest. US and European bond markets have well-developed strips markets.

Vincent Boland

UK GILTS TRADING

SocGen appoints six staff

Société Générale, the French bank, has appointed six people to its UK gilts sales and trading team in London as part of a strategy of pan-European coverage of bond markets before the introduction of the single currency.

Four of the new appointees came from Daiwa, which withdrew as a gilt-edged market-maker earlier this year. They are Robert Dobson and Amanda Ford, who were appointed to the UK institutional sales team, and Alexander Krickic and Louisa Martin, who were appointed to gilts trading. SocGen also hired Huw Roberts and Tilly Russell from NatWest Markets to join the UK institutional sales team.

This year SocGen has been concentrating all non-French franc government bond trading and sales in London, a move that will be completed on January 1 when trading in Spanish bonos is moved from Madrid.

Philippe Rakotovao, head of fixed income at SocGen in London, said the bank was building "a critical mass" in trading and distribution in London to meet client requirements. "It is very important that our distribution force is backed by a strong trading ability," he said

Vincent Boland

Westpac issues $300m FRN

INTERNATIONAL BONDS

By Edward Luce

The markets took a breather yesterday, with many banks turning their attention to a predicted spate of Asian mandates for early 1998. The Korean Development Bank will hold an investors conference in New York today to discuss terms for its planned $2bn three-year bond issue.

In the primary markets, WESTPAC, the Australian bank, led the field with a $300m floating-rate note issue. Officials at HSBC Markets, sole lead manager, said the borrower wanted to access the markets in advance of the predicted scramble in January.

"There is likely to be a huge amount of supply next month and a lot of pressure on spreads," said the official. "Westpac wanted to fulfil its funding requirements now while supply is still relatively scarce."

In addition, Westpac wanted to take advantage of the fact that there will be $2.2bn of redemptions in the floating-rate dollar sector in the last half of December.

This is considered relatively high. The bond was priced to yield five basis points above three-month Libor, a shade wider than the secondary market spreads on Westpac's existing dollar-denominated and sterling-denominated FRNs. Officials said they sold about half the paper, with most going to European institutional funds.

Tha EUROPEAN INVESTMENT BANK kept the reverse-floater lira structure alive with a L200bn 12-year offering. The 12 per cent coupon will step down to 7 per cent in January 1999 and switch to a floating rate in 2001.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
Westpac Banking Corp‡	300	(a)	99.784R	Jan 2003	0.15R	-	HSBC Markets
Brazos SLFC, Cls A1(b)†‡	100	(b2,a)	100.00R	Sep 2002	0.357R	-	Salomon Smith Barney
Brazos SLFC, Cls A2(b3)†‡	90	(b4,a)	100.00R	Dec 2007	0.475R	-	Salomon Smith Barney
FRENCH FRANCS							
Rheinische Hypothekenb	1bn	(c,d)	100.10R	Jan 2009	0.35R	-	CAI/CDC Marchés
Rheinische Hypothekenb	300	(d,e)	100.15	Jan 2008	0.15	-	CDC Marchés
ITALIAN LIRE							
European Investment Bank‡	200bn	(e)	99.60R	Jan 2010	0.375R	-	Sanwa International
NEW ZEALAND DOLLARS							
National Australia Bank	100	8.00	101.05	Jan 2000	1.25	-	Hambros Bank

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ‡Unlisted. † Floating-rate note. R: Fixed re-offer price; fees shown at re-offer level. a) 3-mth Libor flat. b) Student Loan Finance Corp, 97-A, asset-backed notes. b1) Legal maturity: Dec 04. Av. life: 2.51 years. b2) 1-mth Libor +20bp. b3) Legal maturity: Dec 21. Av life: 7.76 yrs. b4) 1-mth Libor +27bp. b5) Class B1 subordinated, $15m, expected maturity: Dec 07. 1-mth Libor +47bp. c) TEC10 –70bp. d) Issuer option to switch from 5.7% to 3-mth Pibor +25bp on every coupon date. e) 12.1% to Jan 98, then 7% to Jan 01, then 15% –2 x 12-mth Libor. f) Long 1st coupon. z) Short 1st coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

Dec 10	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
Australia	03/99	6.250	101.1352	5.30	+0.08	+0.18	+0.34	–1.13
	10/07	10.000	126.2075	6.33	–0.06	–0.18	–0.32	–1.00
Austria	09/99	7.000	104.0700	4.53	+0.05	–0.01	–0.12	+0.74
	07/07	5.625	101.0800	5.47	–0.01	–0.04	–0.21	–0.33
Belgium	04/99	7.000	103.5000	4.29	–0.01	+0.01	–0.13	+0.95
	03/07	6.250	105.1900	5.52	–0.02	–0.04	–0.22	–0.35
Canada	03/99	4.000	98.2200	4.63	+0.02	+0.22	+0.88	+0.53
	06/07	7.250	111.0000	5.71	–0.01	–0.17	+0.22	–0.63
Denmark	12/99	6.000	102.3600	4.73	-	-	–0.10	+0.54
	11/07	7.000	106.4800	5.85	–0.02	–0.05	–0.28	–0.80
Finland	01/99	11.000	107.0510	4.18	-	–0.04	–0.21	+0.38
	04/06	7.250	111.2060	5.53	–0.01	–0.06	–0.36	–0.82
France	11/99	7.000	104.7400	4.35	-	+0.01	–0.13	–0.79
	10/04	6.750	103.0000	5.19	+0.01	–0.01	–0.19	–0.02
	10/07	5.500	100.7000	5.40	-	–0.02	–0.24	–0.33
	10/25	6.000	100.9700	5.93	+0.01	–0.02	–0.29	–0.73
Germany	09/99	3.500	98.9200	4.24	-	-	–0.07	+0.80
	07/04	6.750	108.5100	5.18	–0.02	–0.04	–0.17	–0.21
	07/07	6.000	104.4000	5.39	–0.01	–0.04	–0.21	–0.36
	07/27	6.500	107.5000	5.95	–0.01	–0.03	–0.26	–0.70
Ireland	04/99	6.250	101.3300	5.14	–0.09	–0.03	–0.39	–0.79
	08/06	8.000	115.0500	5.74	–0.07	–0.05	–0.38	–0.89
Italy	05/00	6.000	102.0200	5.10	+0.02	–0.02	–0.12	–1.38
	05/02	6.250	103.3600	5.36	+0.01	–0.03	–0.32	–1.45
	07/07	6.750	107.0800	5.77	-	–0.04	–0.39	–1.78
	11/26	7.250	113.1600	6.26	-	–0.03	–0.42	–1.83
Japan	06/99	4.800	106.4500	0.51	+0.02	+0.04	–0.03	–0.27
	12/02	4.000	117.1300	1.26	–0.02	+0.02	-	–0.54
	09/05	3.000	109.3200	1.71	–0.03	-	–0.01	–0.72
	03/17	3.500	114.6300	2.54	–0.01	–0.04	–0.09	–0.71
Netherlands	06/99	7.500	104.4500	4.34	–0.01	–0.01	–0.10	+0.91
	02/07	5.750	102.6600	5.37	–0.01	–0.03	–0.20	–0.35
New Zealand	02/00	6.500	98.2547	7.39	+0.12	+0.40	+0.50	+0.31
	11/06	8.000	106.4233	7.02	+0.04	–0.29	–0.33	–0.30
Norway	01/99	9.000	104.8200	4.42	+0.07	–0.08	–0.08	–0.23
	01/07	6.750	103.5500	5.55	–0.01	–0.02	–0.25	–0.77
Portugal	03/99	8.500	104.3984	4.82	-	–0.03	–0.33	–1.31
	02/07	6.625	105.9440	5.77	-	–0.02	–0.35	–1.17
Spain	07/99	7.400	104.1634	4.65	-	–0.01	–0.26	–1.28
	03/07	7.350	111.6093	5.70	+0.01	–0.03	–0.28	–1.29
Sweden	01/99	11.000	106.0250	5.18	–0.01	–0.03	–0.03	+0.28
	08/07	8.000	113.0570	6.16	-	–0.03	–0.25	–0.83
Switzerland	03/99	4.000	102.6600	1.78	-	+0.02	–0.31	–0.39
	06/07	4.500	108.2000	3.47	–0.02	–0.05	–0.19	–0.45
UK	08/99	6.000	98.5313	9.94	-	–0.14	–0.13	+0.38
	11/04	6.750	101.1484	6.54	-	–0.08	–0.16	–0.78
	12/07	7.250	106.2969	6.39	–0.02	–0.10	–0.19	–1.17
	06/21	8.000	120.5781	6.31	–0.03	–0.10	–0.16	–1.31
US	07/99	5.675	100.1640	5.76	–0.07	–0.01	+0.01	–0.05
	05/04	7.250	107.1080	5.80	–0.05	+0.07	–0.02	–0.09
	08/07	6.125	101.6940	5.90	–0.04	+0.07	-	–0.32
	08/27	6.375	100.0630	9.15	–0.03	–0.09	–0.04	–0.35
ECU	03/99	5.000	100.4100	4.64	–0.01	–0.02	–0.10	+0.52
	04/07	5.500	99.7900	5.52	–0.01	–0.03	–0.27	–0.58

London closing. *New York mid-day. Source: Interactive Data/FT Information
Yields: Local market standard/Annualised yield basis. Yields shown for Italy exclude withholding tax at 12.5 per cent payable by nonresidents.

10 YEAR BENCHMARK SPREADS

Dec 10	Bid Yield	Spread vs Bunds	Spread vs T-Bonds		Bid Yield	Spread vs Bunds	Spread vs T-Bonds
Australia	6.37	+0.98	+0.46	New Zealand	7.02	+1.63	+1.11
Austria	5.47	+0.08	–0.44	Norway	5.55	+0.16	–0.36
Belgium	5.52	+0.13	–0.39	Portugal	5.77	+0.38	–0.14
Canada	5.71	+0.32	–0.20	Spain	5.70	+0.31	–0.21
Denmark	5.85	+0.46	–0.06	Sweden	6.16	+0.77	+0.25
Finland	5.53	+0.14	–0.38	Switzerland	3.47	-1.92	–2.44
France	5.40	+0.01	–0.51	UK	6.39	+1.00	+0.48
Germany	5.39	-	–0.52	US	5.91	+0.52	-
Ireland	5.74	+0.35	–0.17	ECU	5.52	+0.13	–0.39
Italy	5.77	+0.38	–0.14				
Japan	1.71	–3.68	–4.20				
Netherlands	5.37	–0.02	–0.54				

Source: Interactive Data/FT Information. London closing. * New York closing. Annualised yield basis.

EMERGING MARKET BONDS

Dec 10	Red date	Coupn	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd vs US
EUROPE								
Croatia	02/02	7.000	BBB–	93.7074	8.82	–0.13	+0.59	+2.97
Poland	07/00	7.750	BBB–	101.6509	7.00	+0.35	+0.64	+1.22
Russia	11/01	9.250	BB–	95.9475	10.55	+0.64	+0.62	+4.74
LATIN AMERICA								
Argentina	01/17	11.375	BB	106.0000	10.82	+0.23	–1.01	+4.62
Brazil	11/01	8.875	BB–	97.7500	6.58	+0.76	+0.14	+3.77
Mexico	01/07	9.875	BB	103.0000	9.37	+0.20	–0.46	+3.46
ASIA								
China	07/06	7.750	BBB+	103.9985	7.10	+0.22	–0.10	+1.20
Philippines	10/16	8.750	BB+	92.3954	9.63	+0.21	–0.62	+3.63
Thailand	04/07	7.750	A–	89.6210	9.46	+0.13	–0.60	+3.55
AFRICA/MIDDLE EAST								
Lebanon	07/00	8.125	BB–	102.5083	7.98	+0.20	+0.15	+2.21
South Africa	12/99	9.625	BB+	104.2548	7.30	+0.02	+0.55	+1.56
Turkey	05/02	10.000	B	101.6570	9.53	+0.20	–0.19	+3.68
BRADY BONDS								
Argentina	03/23	5.500	BB	71.1300	8.84	+0.15	–0.30	+2.76
Brazil	04/24	5.250	BB–	69.2500	8.97	+0.13	–0.49	+2.90
Mexico	12/19	6.250	BB	81.3800	9.07	+0.10	–0.36	+2.05
Venezuela	03/20	9.750	B+	84.0000	8.34	+0.13	–0.06	+2.31

London closing. Prices in US$. Standard & Poor's ratings. Source: Interactive Data/FT Information.

BOND FUTURES AND OPTIONS

France

NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
Dec	100.78	100.72	+0.06	100.86	100.64	74,198	69,862
Mar	100.34	100.26	+0.06	100.32	100.16	36,524	88,174
Jun	99.76	99.68	+0.06	99.76	99.76	2	12

LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Jan	Calls Feb	Calls Mar	Puts Jan	Puts Feb	Puts Mar
96	3.96	3.97	4.04	-	0.03	0.11
97	2.96	3.02	3.13	-	0.08	0.19
98	1.97	2.13	2.27	0.01	0.18	0.32
99	1.04	1.33	1.51	0.08	0.37	0.55
100	0.33	0.70	0.90	0.37	0.74	0.93

Est. vol. total, Calls 4,670 Puts 8,227. Previous day's open int., Calls 70,723 Puts 102,483.

Germany

NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	100.72	103.76	–0.09	100.82	103.58	104891	257916
Jun	103.12	103.12	+0.10	103.12	103.12	100	168

BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Jan	Calls Feb	Calls Mar	Calls Jun	Puts Jan	Puts Feb	Puts Mar	Puts Jun
10350	0.45	0.78	0.88	1.14	0.19	0.50	0.72	1.52
10400	0.19	0.50	0.72	0.91	0.43	0.74	0.96	1.79
10450	0.06	0.31	0.51	0.72	0.80	1.05	1.25	2.10

Est. vol. total, Calls 4336 Puts 5662. Previous day's open int., Calls 139841 Puts 155391

NOTIONAL GERMAN BUND (BOBL) FUTURES (DTB) DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	100.47	103.50	–0.05	103.51	103.35	66,865	167,573

NOTIONAL GERMAN BOBL FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	103.46	103.46	–0.03	103.48	103.36	4,655	8,386
Jun	-	102.88	–0.03	-	-	-	-

Italy

NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	114.70	114.67	+0.01	114.73	114.45	28468	113741
Jun	-	114.14	-0.01	-	-	0	53

ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
11450	1.05	1.30	0.88	1.66
11500	0.78	1.09	1.11	1.95
11550	0.55	0.90	1.39	2.26

Est. vol. total, Calls 1360 Puts 771. Previous day's open int., Calls 28385 Puts 30976

Spain

NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
Dec	105.53	105.42	–0.04	105.53	105.31	44,104	74,117
Mar	105.07	104.99	–0.02	105.07	104.86	14,304	38,271

UK

NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	119-25	119-31	+0-06	119-31	119-21	2304	28950
Mar	120-15	120-18	+0-06	120-20	120-04	60018	166373

LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Jan	Calls Feb	Calls Mar	Calls Jun	Puts Jan	Puts Feb	Puts Mar	Puts Jun
120	0-55	1-22	1-41	0	0-18	0-50	1-05	15-08
121	0-21	0-52	1-08	0	0-49	1-16	1-36	16-08
122	0-06	0-28	0-46	0	1-34	1-56	2-10	17-08

Est. vol. total, Calls 817 Puts 1672. Previous day's open int., Calls 45770 Puts 23283

Ecu

ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
Dec	99.90	99.80	–0.04	99.92	99.76	1,396	9,146
Mar	99.64	99.54	–0.06	99.66	99.50	1,033	1,101

US

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
Dec	118–14	118–13	+0–06	118–16	118–08	6,681	114,883
Mar	118–07	118–08	+0–06	118–11	118–02	329,346	575,498
Jun	117–30	117–30	+0–06	118–00	117–30	888	19,007

Japan

NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	128.82	-	-	129.84	129.70	1226	n/a

* LIFFE futures also traded on APT. All Open Interest figs. are for previous day.

US CORPORATE BONDS

Dec 9	Red date	Coupn	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd v Govts
UTILITIES								
Pac Bell	07/02	7.25	AA–	103.5093	6.34	–0.01	+0.08	+0.45
NY Tel	08/25	7.00	A+	97.0895	7.24	+0.01	+0.02	+1.11
CWE	05/08	9.00	BBB	107.9996	6.96	–0.01	–0.06	+0.96
FINANCIALS								
GECC	05/07	6.75	AAA	115.6251	6.50	–0.01	+0.08	+0.56
Banc One	08/02	7.25	A+	103.2856	6.41	–0.01	+0.12	+0.52
US West	01/07	7.30	BBB+	102.0776	6.96	–0.01	+0.04	+1.04
INDUSTRIALS								
WMX Tech	04/99	6.25	A–	99.8668	6.51	–0.03	+0.20	+0.70
Wal Mart	05/02	6.75	AA	101.6393	6.31	–0.01	+0.09	+0.42
Dayton Hud	06/21	9.70	BBB+	127.6719	7.23	+0.01	–0.01	+1.10
AGENCIES								
FHLMC	04/07	7.14	N/A	106.3176	6.23	–0.01	+0.07	+0.29
SLMA	03/00	7.50	N/A	103.1728	5.96	–0.03	+0.12	+0.12
FNMA	02/19	8.95	N/A	126.8519	6.53	+0.01	–0.02	+0.40
FFCB	06/06	8.95	N/A	117.5959	6.24	–0.01	+0.09	+0.30
HIGH YIELD								
Stone Cont	02/01	6.99	B	102.0000	0.00	-	-	-
AK Stl	12/01	9.13	BB–	103.7500	0.00	-	-	-
Pacelta	06/04	10.75	B–	97.7500	0.00	-	-	-

New York closing. Source: Interactive Data/FT Information.
Standard & Poor's ratings. Yields: semi-annual basis.

US INTEREST RATES

Latest

		Treasury Bills and Bond Yields			
Prime rate	$8\frac{1}{2}$	One month	-	Two year	5.76
Broker loan rate	$7\frac{1}{4}$	Two month	-	Three year	5.81
Fed.funds	$5\frac{3}{8}$	Three month	5.22	Five year	5.87
Fed.funds at intervention	-	Six month	5.46	10-year	5.93
		One year	5.55	30-year	6.12

INTERNATIONAL BONDS

Dec 10	Red date	Coupon	S & P Rating	Bid price	Bid yld	Day's chge yld	Mth's chge yld	Spread v Govts
EURO DM								
EIB	03/07	6.750	AAA	102.0500	5.46	–0.08	–0.24	+0.07
Spain	01/07	5.750	AA	101.3900	5.55	-	–0.23	+0.19
Philip Morris	03/04	5.375	A	98.8500	5.58	–0.01	–0.11	–0.40
ABN AMRO FRN	03/05	3.825	n/a	99.6321	6.41	–0.01	–0.19	+0.13
EURO FFR								
Austria	01/04	6.500	AAA	101.6300	6.19	-	–0.22	+0.02
Abbey Nat	02/04	6.000	AA	103.5900	5.30	–0.01	–0.16	–0.14
Cred Foncier	02/04	9.125	A	118.0100	5.59	-	–0.19	–0.43
Abbey Nat FRN	09/06	4.510	n/a	101.8843	4.25	-	–0.23	–1.06
EURO LIRA								
EIB	02/07	7.000	AAA	103.3200	5.67	+0.02	–0.40	–0.10
Abbey Nat	02/02	6.800	AA	104.8100	5.47	+0.02	–0.32	–0.09
Walt Disney	08/00	8.625	n/a	107.1700	5.47	–0.04	–0.37	+0.37
Abbey Nat FRN	03/07	6.000	AAr	103.9920	6.86	–0.01	–0.71	+1.09
EURO £								
EIB	12/07	7.625	AAA	106.8654	6.66	–0.02	–0.25	+0.27
Dresdner Bk	12/07	7.750	AA–	104.2445	7.14	–0.02	–0.19	+0.75
RBS	01/07	8.375	A+	106.8825	7.31	–0.02	–0.11	–0.92
Abbey Nat FRN	02/02	7.830	AA	100.0310	6.65	-	–0.17	–0.02
EURO $								
EIB	04/07	7.250	AAA	106.6585	6.28	–0.04	–0.08	+0.37
ABN Amro	06/07	7.125	AA–	103.5921	6.61	–0.04	–0.07	+0.70
Quebec	01/07	7.000	A+	102.7678	6.59	–0.05	–0.06	+0.68
Citicorp FRN	02/04	5.838	A+	99.5739	6.02	–0.04	+0.15	+0.15
EURO C$								
Bayer L–Bk	08/04	9.500	AAA	113.6962	6.00	+0.03	+0.24	+0.20
Toronto	05/04	8.500	AA+	113.5000	5.91	+0.05	+0.26	+0.11
Bell Canada	07/98	10.625	A+	107.6473	5.41	+0.01	+0.48	+0.19
Deutsche B FRN	09/02	5.875	AAA	101.4210	5.53	–0.03	+0.12	–0.15
EURO YEN								
World Bank	03/02	5.250	AAA	117.2400	1.10	–0.01	–0.02	–0.02
Spain	03/02	5.750	AA	119.2000	1.12	–0.03	–0.05	+0.04
Cred Foncier	06/02	4.750	A	114.1934	1.56	–0.02	–0.03	–0.48
Italy FRN	07/99	0.594	AA	100.3615	0.33	+0.03	–0.06	–0.18

London closing. Source: Interactive Data/FT Information
Standard & Poor's ratings. Yields: Local market standard/Annualised basis.

UK BONDS

FTSE Actuaries Govt. Securities

Price Indices UK Gilts	Wed Dec 10	Day's change %	Tue Dec 9	Accrued interest	xd adj. ytd
1 Up to 5 years (19)	119.20	0.01	119.19	1.84	10.39
2 5-15 years (20)	157.52	0.12	157.32	1.77	11.88
3 Over 15 years (4)	190.23	0.32	189.63	1.19	14.12
4 Irredeemables (4)	232.80	0.43	231.79	1.58	14.48
5 All stocks (47)	150.47	0.12	150.28	1.75	11.88
Index-linked					
6 Up to 5 years (2)	212.05	0.13	211.76	1.19	6.09
7 Over 5 years (10)	217.00	0.40	216.13	1.57	5.76
9 All stocks (12)	215.40	0.38	214.60	1.52	5.76

UK Indices

	Low coupon yield Dec 10	Dec 9	Yr. ago	Medium coupon yield Dec 10	Dec 9	Yr. ago	High coupon yield Dec 10	Dec 9	Yr. ago
5 yrs	6.61	6.61	7.22	6.69	6.69	7.29	6.74	6.74	7.33
15 yrs	6.36	6.39	7.74	6.37	6.40	7.71	6.47	6.49	7.68
20 yrs	6.36	6.39	7.82	6.34	6.37	7.74	6.46	6.48	7.70
Irred.†	6.45	6.48	7.80						

	Inflation 5% Dec 10	Dec 9	Yr. ago	Inflation 10% Dec 10	Dec 9	Yr. ago
Up to 5 yrs	3.03	3.07	3.24	2.23	2.27	2.59
Over 5 yrs	3.02	3.03	3.56	2.79	2.82	3.36

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	Dec 10	Dec 9	Dec 9	Dec 5	Dec 4	Yr ago	High*	Low*
Govt. Secs. (UK)	100.98	100.80	100.39	99.96	103.48	94.08	101.83	93.31
Fixed Interest	133.20	132.98	132.25	132.00	132.37	114.82	133.54	115.32

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UK GILTS PRICES

	Notes	Yield Int	Yield Red	Price £	+ or –	52 week High	52 week Low
Shorts" (Lives up to Five Years)							
Treas 4½pc 1998‡‡		3.99	6.83	116½	—	116½	113⅞
Treas 10pc 2003		8.84	6.65	115⅞	–⅛	117¼	111⅞
Treas 11½pc 2001–4		10.16	6.92	113⅛	–⅛	116⅞	113⅛
[illegible]							

Other Fixed Interest

[illegible]							

CURRENCIES AND MONEY

Yen rises on intervention threats

MARKETS REPORT

By Simon Kuper

The yen rallied again yesterday as Japanese officials threatened with intervention in the market to support their currency.

Talk that Japan would produce a Y10,000bn package to help its troubled banks also pushed the yen clear of the key Y130 level against the dollar. The ruling Liberal Democratic Party's financial stabilisation committee discussed a package yesterday.

When asked if there was a chance of concerted multinational intervention to support the yen, Haruhiko Kuroda, director general of the Japanese finance ministry's international finance bureau, said yesterday: "There is always (such a chance)."

Eisuke Sakakibara, vice finance minister for international affairs, said that an excessively weak yen was undesirable and that Japan would take appropriate steps in the currency markets.

Philippa Malmgren, currency strategist at Bankers Trust in London, said on Tuesday that she had gathered from conversations with Japanese ministry of finance officials that Tokyo planned to intervene soon.

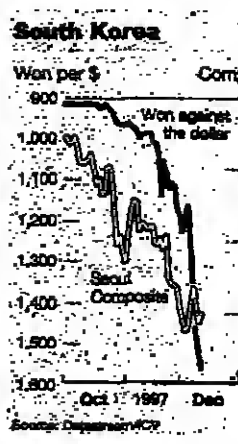
The yen rose Y0.9 against the dollar to close in London at Y129.0. Michael Wallace, senior currency economist at S&P's MMS in London, said significant amounts of yen had been bought against the pound this week, as prospects of further UK interest rate rises diminished. Sterling yesterday dropped Y0.6 against the yen to Y213.1. The news that the Bank of England's monetary policy committee had voted unanimously for last month's interest rate rise made little market impact.

The Swiss franc, the safe haven from international crisis, rose on fears for the health of Boris Yeltsin, the Russian president. The Kremlin said he had an acute respiratory viral infection and would stay in a sanatorium for 10 to 12 days.

The Swiss franc gained 1.9 centimes against the dollar and 0.6 centimes against the D-Mark to close at SFr1.443 and SFr0.809 respectively. The D-Mark rose 1.2 pfennigs against the dollar to DM1.783, reversing its recent slide.

■ Within 30 minutes of trading opening, the South Korean won plunged to its lower limit for the day of 1,565.9 against the dollar. Few investors believe that the $57bn rescue package brokered for the country by the International Monetary Fund last week will prove a panacea.

However, the won's fall failed to infect other emerging market currencies. Foreign exchange strategists said that the contagion effect, so strong in global markets in recent months, appeared to be fading. The recent gains in equity markets were proof of that.



■ The yen, given up by many for dead, has rebounded this week. Avinash Persaud, head of global foreign exchange research at J.P. Morgan in Europe, cites three reasons. Firstly, the repeated threats of intervention have begun to register with the market. Secondly, almost every investor is already long the dollar, leaving precious few new potential buyers.

And thirdly, says Mr Persaud, there could be a significant side effect of Japan's expected issue of Y10,000bn in bonds. The yen has fallen in the last year largely because Japanese investors have been sending their money abroad. A large domestic bond issue could attract some of their capital, reducing outflows from yen into dollars.

■ Will Japan really intervene in the market? Probably not yet, says Robert Lynch, currency strategist at Paribas Capital Markets in New York. He says it is natural for Japanese officials to be making warning noises now, because the dollar has shot up by Y10 in a matter of weeks while suffering almost no reverses. Tokyo does not want investors to think that buying dollars is a one-way bet, says Mr Lynch.

Japan may also want to wait for the market to become less bullish about the dollar before intervening. Mr Lynch says that the history of the dollar's fall in 1994-1995 showed that when central banks intervened with the market trend, they succeeded; when they tried pushing the market in a new direction, they did not.

■ Pound in New York

Dec 10	— Latest —	— Prev. close —
£ spot	1.6515	1.6515
1 mth	1.6494	1.6494
3 mth	1.6448	1.6446
1 yr	1.6255	1.6262

■ OTHER CURRENCIES

Dec 10	£	$
Czech (Kc)	57.5522 - 57.6399	34.8590 - 34.8910
Hungary	332.561 - 332.828	201.430 - 201.470
Iran	4956.00 - 4953.00	3000.00 - 3000.00
Kuwait	0.5034 - 0.5040	0.3049 - 0.3051
Poland	5.8487 - 5.8555	3.5425 - 3.5445
Russia	9790.43 - 9801.32	5930.00 - 5933.00
U.A.E.	6.0640 - 6.0678	3.6729 - 3.6730

POUND SPOT FORWARD AGAINST THE POUND

Dec 10		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. index
Europe													
Austria	(Sch)	20.7196	-0.0614	083 - 308	20.8579	20.6566	20.6547	3.8	20.5308	3.6	20.0324	3.3	102.5
Belgium	(BFr)	60.7587	-0.1444	073 - 101	61.0200	60.5730	60.5507	4.1	60.1780	3.8	58.884	3.4	102.0
Denmark	(DKr)	11.2154	-0.0295	103 - 204	11.2682	11.1781	11.1805	3.7	11.1168	3.5	10.8693	3.1	104.3
Finland	(FM)	8.8750	-0.0358	664 - 835	8.9260	8.8480	8.8431	4.3	8.7873	4.0	8.577	3.4	81.0
France	(FFr)	9.8562	-0.0296	523 - 600	9.9006	9.8259	9.8233	4.0	9.7614	3.8	9.5158	3.5	105.4
Germany	(DM)	2.9446	-0.0087	431 - 460	2.9583	2.9345	2.9353	3.8	2.9171	3.7	2.8438	3.4	103.1
Greece	(Dr)	462.886	-0.599	627 - 105	466.316	461.163	464.371	-3.9	468.302	-4.7	484.244	-4.6	65.5

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Dec 10		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P. Morgan index
Europe													
Austria	(Sch)	12.5459	-0.0619	429 - 489	12.6300	12.5390	12.5228	2.2	12.4837	2.0	12.3234	1.8	102.3
Belgium	(BFr)	36.7900	-0.2185	700 - 100	37.0210	36.8920	36.7115	2.8	36.5805	2.2	36.101	1.8	102.1
Denmark	(DKr)	6.7910	-0.0421	900 - 920	6.8350	6.7857	6.7787	2.2	6.7594	1.8	6.6965	1.5	103.9
Finland	(FM)	5.3739	-0.0408	703 - 774	5.4144	5.3701	5.3616	2.8	5.3431	2.3	5.2754	1.8	80.4
France	(FFr)	5.9680	-0.0393	675 - 685	6.0072	5.9650	5.9558	2.5	5.9353	2.2	5.8539	1.9	105.1
Germany	(DM)	1.7830	-0.0116	826 - 833	1.7950	1.7820	1.7798	2.3	1.7737	2.1	1.7494	1.9	102.6

WORLD INTEREST RATES

MONEY RATES

December 10	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3⅝	3½	3¾	3⅞	4⅛	6.00	2.75	-
France	3[illegible]	3½	3¾	3[illegible]	4⅛	4.60	-	3.30
Germany	3⅞	3¾	3[illegible]	3[illegible]	4[illegible]	4.50	2.50	3.30
Ireland	6¼	6¼	6[illegible]	6¼	5[illegible]	-	-	6.75
Italy	6½	6[illegible]	6[illegible]	5[illegible]	5¾	7.75	6.25	6.17
Netherlands	3[illegible]	3[illegible]	3[illegible]	3[illegible]	4[illegible]	-	2.75	3.30
Switzerland	1½	1[illegible]	1[illegible]	1½	1[illegible]	-	1.00	-
US	5¾	5[illegible]	6[illegible]	6[illegible]	6[illegible]	-	5.00	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5[illegible]	5[illegible]	5[illegible]	6[illegible]	-	-	-
US Dollar CDs	-	5.11	5.44	5.57	5.74	-	-	-
ECU Linked Ds	-	4½	4[illegible]	4[illegible]	4½	-	-	-
SDR Linked Ds	-	3¾	3¾	3[illegible]	4[illegible]	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Dec 10	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
German Mark	3⅝ - 3¼	3½ - 3⅜	[illegible]	[illegible]	[illegible]	4[illegible] - 4
Dutch Guilder	3⅜ - 3¼	[illegible]	[illegible]	[illegible]	[illegible]	4⅛ - 4
French Franc	[illegible]	3½ - 3[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible] - 5	5⅛ - 5[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	5⅛ - 5	5 - 4[illegible]	5 - 4[illegible]	[illegible]	[illegible]	[illegible]
Sterling	7 - 6⅞	7¼ - 7⅛	7½ - 7¼	[illegible]	[illegible]	[illegible]
Swiss Franc	1⅜ - ⅞	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canadian Dollar	3¾ - 3⅝	[illegible]	4 - 3⅞	[illegible]	4½ - 4⅜	4⅞ - 4¾
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible] - 6¼	[illegible]	[illegible]	[illegible] - 5¼
Japanese Yen	[illegible]	[illegible]	½ - ⅜	[illegible]	[illegible]	[illegible]
Asian $Sing	3¼ - 3⅛	6⅛ - 5⅞	6½ - 6⅛	6¼ - 6⅛	6⅜ - 5⅞	6¼ - 6

Short term rates are call for the US Dollar and Yen, others: two days' notice

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.30	95.30	-	96.31	96.30	4,830	48,964
Mar	96.07	96.07	-	96.08	95.06	8,987	69,816
Jun	95.85	95.85	-	95.86	95.83	4,241	35,851

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.23	96.23	-	96.23	96.22	18684	242363
Mar	96.08	96.08	-	96.09	96.08	37564	339174
Jun	95.87	95.85	-0.01	95.87	95.83	25650	314256
Sep	95.68	95.67	-0.01	95.69	95.65	15840	232202

■ ONE MONTH EUROMARK FUTURES (LIFFE)* DM3m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	-	96.24	+0.01	-	-	0	6248
Jan	-	96.35	+0.01	-	-	0	800
Feb	-	96.26	+0.01	-	-	0	133
Mar	-	96.16	+0.01	-	-	0	100

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.92	93.88	-0.04	93.92	93.87	19894	98580
Mar	94.72	94.69	-0.02	94.72	94.65	20823	130952
Jun	95.24	95.22	-0.04	95.25	95.21	10684	127955
Sep	95.39	95.37	-0.03	95.39	95.36	6179	78761

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	98.13	98.22	+0.11	98.23	98.13	3599	51782
Mar	98.03	98.13	+0.11	98.14	98.03	8853	53464
Jun	97.88	97.97	+0.12	97.97	07.88	2690	32326
Sep	97.73	97.82	+0.13	97.79	97.72	1471	16584

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	-	99.12	-0.05	-	-	0	n/a
Mar	-	99.29	-	-	-	0	n/a
Jun	-	99.35	+0.02	-	-	0	n/a

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	95.47	95.47	+0.01	95.48	95.46	502	8431
Mar	95.40	95.40	+0.01	95.40	95.39	235	7020
Jun	95.38	95.37	+0.01	95.38	95.36	83	6321
Sep	95.33	95.31	-	95.33	95.31	60	8071

* LIFFE futures also traded on APT

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Dec	Mar	Jun	PUTS Dec	Mar	Jun
9375	0.14	0.96	1.49	0.01	0.02	0.02
9400	0.02	0.72	1.26	0.14	0.03	0.04
9425	0	0.50	1.02	0.37	0.06	0.05

Est. vol. total, Calls 5495 Puts 953. Previous day's open int., Calls 233245 Puts 142660

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

[illegible]

■ D-MARK FUTURES (IMM) DM 125,000 per DM

■ JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

■ STERLING FUTURES (IMM) £62,500 per £

EMS EUROPEAN CURRENCY UNIT RATES

UK INTEREST RATES

LONDON MONEY RATES

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

BASE LENDING RATES

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December 1997

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COMMODITIES AND AGRICULTURE

Guinea to restructure bauxite company

By Kenneth Gooding, Mining Correspondent

The world's largest bauxite exporter, Compagnie des Bauxites de Guinée (CBG), is to be restructured and its position as one of Africa's leading mining companies will be more clearly seen, according to Guinea's minister of natural resources and energy.

"The potential is huge," said Fassiné Fofana. "CBG is already making more money than Ashanti Goldfields." Ashanti reported pre-tax profits of $60m for 1996.

CBG is a joint venture between the government and Halco, whose shareholders include Alcan of Canada, Alcoa and Reynolds of the US, Pechiney of France, Comalco of Australia and Germany's VAW.

Mr Fofana said shareholders agreed CBG should have an independent management, the ability to borrow on its own account and be able to market its product internationally rather than just to shareholders.

CBG produces an annual 13m tonnes of bauxite, the raw material for alumina, which is used to make aluminium. This makes the West African country the world's second largest producer after Australia.

Previously the government has pressed CBG to build an alumina refinery to add value to the raw material before it is exported. Mr Fofana said this pressure has gone.

"The time will come when the new management will decide that it is better to convert [the bauxite] in Guinea," he said. "We must let the market decide when."

All of Guinea's mining sector is to be privatised. "We want to get the government out of the [mining] business and put it on a professional footing," said Mr Fofana. The World Bank helped identify SBC Warburg Dillon Read, the investment bank, to advise on this process.

Guinea is being advised by London based African Investments in connection with Africa's only alumina producer, Friguia, which in April filed for court protection from its creditors.

It is now the subject of a dispute between the consortium of foreign aluminium companies that are shareholders and the government at the Geneva arbitration court.

Mr Fofana claimed the consortium, led by Pechiney of France and also including Alcan, Hydro Aluminium of Norway and Canada's Noranda, failed to invest adequately in Friguia. He suggests $100m is needed to bring its costs down to normal levels.

Guinea's central bank provided credit so Friguia's staff could be paid at one point but the business is now self-supporting under Guinean management.

The government intends to reduce its shareholding in Friguia from 49 per cent to between 15 per cent and 20 per cent and is talking to other potential partners.

"We want Friguia to be a money making machine whereas the [present partners] just want the alumina so that they can make money on downstream products," Mr Fofana said.

Meanwhile, Guinea is talking to foreign companies interested in the country's iron ore potential.

Iraq adds to pressure on oil

MARKETS REPORT

By Robert Corzine and Kenneth Gooding

Oil prices fell yesterday on a mixture of bearish factors. The recent perception that there may be a global glut in the making was reinforced by a statement from Iraq, which said it could resume exports within weeks if it reached agreement with the UN on aid distribution.

In afternoon trading on London's International Petroleum Exchange the price of Brent Blend for January delivery fell to $17.42 a barrel, seven cents above its low for the year of $17.35, recorded in June. It later recovered to about $17.60 a barrel, still well below Tuesday's close of $17.92.

Some traders said the fall was exacerbated by institutional selling on the New York Mercantile Exchange, although one London trader said he saw little evidence of it. There was, however, some trade selling.

Oil has fallen steadily since the Organisation of Petroleum Exporting Countries agreed a 10 per cent rise in its production ceiling nearly two weeks ago.

Gold recovered from the 18-year low reached on Tuesday to close in London at $285.35 an ounce, up $3.20 from Tuesday's close. Dealers said sentiment remained extremely bearish, however.

In contrast, silver raced to a 2½-year high of $5.835 an ounce at the London daily fixing, after another sharp drop in New York Commodity Exchange silver stocks to their lowest for 18 years. The fall was seen by some as evidence that a syndicate of banks and hedge funds, which has been building a big silver position, was tightening its grip on the market.

Freeport to cut dividend

By Nikki Tait in Chicago

The recent fall in gold and copper prices is forcing Freeport Copper & Gold, the US mining company which controls the huge Grasberg copper and gold mine in Indonesia, to slash its dividend payout by more than $100m annually to help preserve cash.

Freeport is the second big US mining company to make such a move. Last month, Newmont Gold, the largest of the US gold miners, announced that it would be cutting its quarterly dividend from 12 cents to 3 cents because of the sharply lower gold price.

Freeport, based in New Orleans, said yesterday that from the first quarter of next year it would reduce the dividend on its "A" and "B" common shares to 5 cents a quarter, or 20 cents annually, from the current 90 cents a year. It said it would not alter dividends on its preferred stock, but its common stock plunged sharply on the news, losing $3¾, or more than 5 per cent, to $16¼ in early trading.

Nevertheless, James Moffett, Freeport chairman, described the move as "prudent" in the light of the "currently low copper and gold commodity prices and the outlook for the near term". He said that the move was designed to increase Freeport's financial flexibility and allow it to maintain its exploration programme.

According to Freeport's latest quarterly results, cash dividends on the common stock cost the company around $135m in the first nine months of 1997, and it estimates that the dividend reduction will save it about $33m each quarter.

Meanwhile, Freeport said that next year's estimated capital and exploration expenditures were under review, but analysts' estimates lie in the $200m to $300m range. Exploration expenditures are likely to be similar to this year's $20m.

In the third quarter of 1997, Freeport reported a drop in net profits to $36.6m, compared with $46.1m a year earlier, in spite of a 17 per cent increase in copper sales volumes and a 25 per cent boost to gold volumes. It blamed lower gold and copper prices for the shortfall.

In the third quarter of this year, gold prices were about 16 per cent lower than in the comparable period of 1996. Copper prices have also beeo slipping in the latter half of this year.

Newmont strikes lucky at Yanacocha

At today's depressed prices there are few gold mines in the world that can honestly say they are making a handsome profit. Peru's Minera Yanacocha, the largest and lowest-cost producer in Latin America, is one of them.

Expansion at Yanacocha – a joint venture between Newmont Mining of the US, and Buenaventura, a long-established local company – is to continue. Last week company officials announced that production in 1997 would exceed 1m troy ounces and rise to some 1.15m ounces next year.

The 62,000-acre mine site is in Cajamarca, one of Peru's poorest regions, and investment has totalled more than $270m to date.

The gold in Yanacocha is disseminated – spread through the rock as opposed to lying in seams. This preempts the need for expensive crushing of ore. Crumbling rock is simply scooped up and deposited on leach pads – areas where it is spread out and treated with cyanide to remove the gold.

Cash costs are currently less than $100 an ounce, total costs including financing not more than $130. The company says it "would still be profitable with gold prices at $200 an ounce". On Tuesday gold fell to $283.25, its lowest level for 18 years.

By next year, the mine site will have a total of five pits, three leach pads and two processing plants. A new processing plant comes on stream this month and a $100m investment is expected next year, primarily in expanding leach pads.

Yanacocha's leach pads pre-empt the need for expensive crushing of gold ore

Yanacocha is very important to Newmont. It has been fighting a long legal battle with Normandy Mining to prevent the Australian company from taking a stake in the mine after it bought BRGM of France, one of the original Yanacocha partners. Now Newmont is waiting for a Peruvian court ruling which it hopes will confirm that it has a 51 per cent controlling stake.

That importance was underlined last month when the company announced that Lima was to become the headquarters of Newmont Gold Company – its South American exploration operations. The company, 94 per cent owned by Newmont Mining, is the world's second-largest gold producer.

"Peru provides a great base of operation," says Ronald Cambre, chairman of Newmont Mining. Peru's "stable ecooomic and political environment" were the chief factors in the board decision. Newmont has registered claims to a further 1.3m acres of mineral-bearing land in Peru.

But Yanacocha will remain the company's most significant South American investment for some time.

"The upside potential of Yanacocha still looks very great," says Thomas Conway, general manager of Yanacocha. He says four possible deposits have yet to be thoroughly explored. "Some results on test drillings of these will be announced next July and our production plans may then change," he adds.

Back in August 1992, when the Newmont board threw its hat into the Peruvian ring it looked a bold decision. Peru was applying a harsh economic stabilisation programme to curb hyperinflation and terrorism was rampant. In spite of the problems, Yanacocha was pouring its first gold within 13 months and had not stopped expanding since.

But the investment has not been just in mining. "Newmont's president promised… that, since we were extracting something irreplaceable from Peru, we would put something back," says Mr Conway. "That gave rise to our social programme."

Yanacocha drew a 30km circle round the mine development and helps people in that area. It is working with a variety of government and charity organisations in health, education and electrification. The company has built 10 schools, a college, medical posts, a hospital and several drinking water systems.

"Social programmes are as important as care of the environment," says Mr Conway. "Social responsibility is a pre-requisite for mining here. You must have a workforce and a population that reasonably supports you."

Sally Bowen

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1558-59	1579-80
Previous	1553.5-54.5	1574.5-75.0
High/low		1587/1575
AM Official	1554.5-55.0	1576-75.5
Kerb close		1577-78
Open int.	260,410	
Total daily turnover	78,822	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1410-20	1430-40
Previous	1417-22	1440-42
High/low		1450/1431
AM Official	1408-13	1431-32
Kerb close		1435-40
Open int.	6,027	
Total daily turnover	1,262	

■ LEAD ($ per tonne)

Close	517.5-8.5	534-5
Previous	516.5-17.5	533-34
High/low		541/533
AM Official	512.5-13.5	529-30
Kerb close		541-2
Open int.	32,384	
Total daily turnover	7,535	

■ NICKEL ($ per tonne)

Close	6065-75	6160-70
Previous	5975-80	6070-75
High/low		6350/6020
AM Official	5855-60	6055-60
Kerb close		6305-15
Open int.	59,915	
Total daily turnover	21,387	

■ TIN ($ per tonne)

Close	5480-90	5380-90
Previous	5595-600	5460-65
High/low		5450/5330
AM Official	5440-50	5350-55
Kerb close		5405-15
Open int.	14,882	
Total daily turnover	7,187	

■ ZINC, special high grade ($ per tonne)

Close	1125-26	1147-47.5
Previous	1099-161	1122-24
High/low		1165/1130
AM Official	1104-05	1131-32
Kerb close		1164-65
Open int.	82,907	
Total daily turnover	26,855	

■ COPPER, grade A ($ per tonne)

Close	1787-88	1817-18
Previous	1774-75	1804-05
High/low		1828/1803
AM Official	1779-80	1808.5-09.0
Kerb close		1819-20
Open int.	159,917	
Total daily turnover	40,464	

■ LME AM Official £/$ rate: 1.6470
LME Closing £/$ rate: 1.6525

Spot: 1.6501 3 mths: 1.6434 6 mths: 1.6362 9 mths: 1.6301

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	80.50	-0.10	81.25	00.30	897	1,624
Jan	81.05	-0.15	82.00	81.00	107	2,857
Feb	81.70	-0.15	82.00	01.90	74	1,871
Mar	82.20	-0.05	83.00	81.80	3,447	32,599
Apr	82.78	-	82.90	82.90	141	1,478
May	83.18	-	83.75	83.10	230	4,780
Total					8,135	64,577

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	283.90-284.40		
Opening	285.00-285.50		
Morning fix	285.05	173.22	415.03
Afternoon fix	286.30	173.57	414.22
Day's High	288.20-288.70		
Day's Low	283.70-284.18		
Previous close	283.70-284.10		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.14	6 months	4.17
2 months	4.15	12 months	4.18
3 months	4.15		

Silver Fix	p/troy oz.	US cts equiv.
Spot	354.15	583.50
3 months	354.75	582.05
6 months	354.85	579.80
1 year	357.00	579.05
Gold Coins	**$ price**	**£ equiv.**
Krugerrand	287.5-289.5	174-175
Maple Leaf	-	-
New Sovereign	70-73	42-44

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	286.6	+3.8	288.5	284.2	406	977
Jan	287.4	+3.8	284.7	284.7	4	4
Feb	288.8	+3.7	290.7	284.4	40,871	111.6k
Apr	290.4	+3.7	292.5	286.3	1,003	12,083
Jun	292.4	+3.7	294.0	288.4	1,707	11,493
Aug	294.5	+3.7	295.7	295.7	590	5,031
Total					46,415	197,049

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	372.9	-3.0	380.0	370.0	2,204	10,908
Apr	371.9	-2.0	376.0	370.0	401	3,223
Jul	368.9	-2.0	373.5	370.0	3	129
Total					2,609	14,261

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	209.95	+0.45	211.00	210.00	9	295
Mar	206.95	+0.45	209.00	204.18	247	3,642
Jun	203.45	+0.45	-	-	2	230
Sep	200.45	+0.45	-	-	2	4
Total					256	4,171

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	582.7	+43.2	586.0	546.0	497	1,165
Jan	584.4	+43.1	570.0	570.0	3	35
Mar	587.5	+42.7	588.5	545.5	17,262	64,372
May	586.5	+41.7	587.0	551.5	743	6,263
Jul	585.5	+40.7	585.0	564.0	549	6,226
Sep	585.0	+39.7	585.0	565.0	50	768
Total					19,205	80,550

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Jan	18.16	-0.51	18.80	18.15	30,792	95,614
Feb	18.46	-0.46	19.04	18.46	20,009	76,785
Mar	18.66	-0.42	19.15	18.64	4,718	35,730
Apr	18.82	-0.36	19.22	18.82	3,411	23,701
May	18.90	-0.37	19.30	18.90	1,418	22,898
Jun	19.02	-0.29	19.37	19.00	5,001	35,347
Total					79,088	434,378

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Jan	17.57	-0.35	18.00	17.40	16,474	45,159
Feb	17.69	-0.30	18.05	17.55	16,762	67,369
Mar	17.73	-0.29	18.07	17.63	5,240	24,777
Apr	17.77	-0.26	18.09	17.73	2,614	13,309
May	17.79	-0.24	18.07	17.74	1,271	11,077
Jun	17.81	-0.22	18.10	17.77	1,060	17,880
Total					n/a	n/a

■ HEATING OIL NYMEX (42,000 US galls; c/US galls)

	Latest price	Day's change	High	Low	Vol	Open int
Jan	51.65	-1.47	53.35	51.60	13,940	50,967
Feb	52.30	-1.36	53.85	52.20	4,925	33,526
Mar	52.60	-0.96	53.70	52.40	2,843	17,297
Apr	52.15	-0.71	53.15	52.10	1,157	8,805
May	51.70	-0.46	52.32	51.70	1,303	6,924
Jun	51.55	-0.36	52.18	51.55	2,178	8,550
Total					29,214	144,888

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	158.00	-5.50	163.50	157.75	9,040	9,588
Jan	159.50	-5.00	164.75	159.25	15,479	29,195
Feb	161.00	-4.00	164.75	160.50	5,314	15,554
Mar	161.00	-3.50	164.00	161.00	1,817	11,518
Apr	161.50	-2.75	164.00	161.50	685	4,805
May	161.50	-2.50	164.00	161.50	134	2,950
Total					18,822	80,655

■ NATURAL GAS IPE (1,000 therms; pence per therm)

	Latest price	Day's change	High	Low	Vol	Open int
Jan	16.750	-0.200	16.850	16.720	200	3,660
Feb	17.080	-0.020	17.100	16.950	185	3,220
Total					980	13,870

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

	Latest price	Day's change	High	Low	Vol	Open int
Jan	2.395	-0.131	2.570	2.381	25,785	43,776
Feb	2.375	-0.102	2.515	2.355	9,155	31,047
Mar	2.315	-0.057	2.405	2.300	3,404	21,446
Apr	2.220	-0.040	2.290	2.220	1,822	11,740
May	2.195	-0.028	2.240	2.105	859	9,571
Jun	2.200	-0.013	2.230	2.190	541	6,811
Total					44,012	210,074

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Jan	54.35	-1.62	56.35	54.25	12,169	32,518
Feb	54.90	-1.46	56.78	54.90	5,856	19,919
Mar	55.80	-0.96	57.10	55.70	1,205	11,393
Apr	58.45	-0.94	58.85	58.40	427	9,048
May	58.30	-0.89	58.00	58.30	337	9,198
Jun	58.00	-0.69	58.50	58.00	359	8,591
Total					21,136	99,073

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	82.10	+0.50	82.18	81.60	17	868
Mar	84.25	+0.65	84.25	83.75	40	2,900
May	86.25	+0.65	86.00	86.00	8	3,756
Jul	88.25	+0.65	88.10	88.00	45	413
Sep	82.18	-0.65	82.50	82.50	3	20
Total					280	8,886

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	344.50	-	345.50	342.75	1,332	1,050
Mar	358.50	-1.25	361.25	358.00	14,794	54,372
May	365.50	-0.75	368.00	365.00	1,126	11,283
Jul	369.75	-1.25	373.00	369.00	1,543	16,862
Sep	376.00	-1.00	376.00	376.00	8	422
Dec	385.00	-2.00	387.00	383.25	72	3,387
Total					18,867	88,228

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	269.25	-1.75	272.50	268.00	7,874	15,400
Mar	281.50	-0.25	283.25	281.00	43,221	182,828
May	288.75	-0.25	290.00	288.25	4,043	44,245
Jul	292.75	-0.75	294.25	292.50	5,583	55,000
Sep	288.75	+0.25	289.00	286.00	348	5,164
Dec	289.50	+0.75	289.75	288.25	2,882	32,380
Total					64,081	336,888

■ BARLEY LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	75.40	+0.18	75.30	75.30	12	381
Mar	78.05	+0.18	-	-	-	1,492
May	79.18	+0.18	-	-	-	20
Sep	78.75	-0.50	-	-	-	8
Nov	81.75	-0.50	-	-	-	65
Total					12	1,964

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	713.00	+6.00	714.00	705.50	26,602	65,183
Mar	715.50	+6.00	716.00	708.00	6,582	32,106
May	718.75	+4.25	719.50	712.50	2,330	22,070
Jul	720.25	+3.75	720.50	714.00	1,896	23,751
Aug	715.00	+2.25	716.00	712.00	242	2,567
Sep	693.25	+0.25	694.00	693.25	2	164
Total					38,102	158,151

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	25.04	+0.19	25.08	24.80	4,819	3,057
Jan	25.24	+0.17	25.30	25.01	11,512	41,408
Mar	25.62	+0.18	25.68	25.40	4,178	34,183
May	25.85	+0.05	25.88	25.62	1,331	13,779
Jul	26.00	+0.09	26.00	25.78	755	11,722
Aug	25.91	+0.01	25.95	25.85	322	2,728
Total					23,407	109,380

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	229.4	-1.0	229.8	228.3	6,562	10,421
Jan	222.4	-1.2	224.0	220.8	8,161	28,535
Mar	218.8	+0.4	219.8	216.0	2,898	34,867
May	215.4	+0.3	215.3	213.2	2,184	21,077
Jul	215.2	+0.1	215.2	213.0	914	15,737
Aug	214.6	-0.2	215.0	212.8	236	4,068
Total					21,080	127,866

■ POTATOES LIFFE (20 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	87.0	-0.5	-	-	-	-
Apr	109.5	-0.5	109.5	109.8	63	1,073
May	119.5	-0.5	-	-	-	22
Jun	129.5	-0.5	-	-	-	-
Nov	55.0	-	-	-	-	3
Total					63	1,231

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	1285	+35	1285	1275	91	268
Jan	1300	+20	1318	1295	35	714
Feb	1290	+10	1295	1285	7	34
Apr	1356	+11	1360	1355	7	402
Jul	1205	+5	1205	1200	7	131
Total					147	1,884

	Close	Prev
BFI	1251	1221

PULP AND PAPER

■ PULPEX OMLX (US$; 24 air dry tons)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	499.00	-4.50	505.00	499.00	47	418
Jun	520.50	-4.50	520.50	519.75	25	174
Total					72	592

FUTURES DATA
All futures data supplied by CMS.

Minor metals from Metal Bulletin
European free market, $ per lb in warehouse (changes in brackets). Antimony: 99.65%, $ per tonne, 1,550-1,630 (1,590-1,680). Bismuth: min. 99.99%, tonne lots 3.20-3.35. Cadmium: min. 99.95%, cents a pound, 35.00-40.00 (30.00-40.00). Cobalt: MB free market, min. 99.8%, 25.25-26.00 (25.25-26.25); min. 99.3%, 19.80-19.30 (18.10-19.60). Mercury: min. 99.99%, $ per 76 lb flask, 140-150. Molybdenum: drummed molybdic oxide, 3.80-3.95. Selenium: min 99.5%, 2.00-3.00. Tungsten ore: standard min. 65%, $ per tonne unit (10kg) WO_3, CIF, 40-62. Vanadium: min. 98%, CIF, 4.65-4.85 (4.35-4.50).

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	1053	+14	1054	1038	24	1,138
Mar	1082	+13	1086	1061	3,367	70,821
May	1100	+13	1103	1079	235	24,652
Jul	1117	+13	1118	1095	91	11,449
Sep	1135	+14	1138	1115	706	18,279
Dec	1149	+13	1151	1131	289	23,353
Total					5,027	181,397

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	1650	+59	1650	1590	26	57
Mar	1671	+53	1674	1618	4,434	48,080
May	1697	+52	1700	1645	708	18,960
Jul	1717	+52	1702	1667	41	4,706
Sep	1736	+52	1715	1708	47	5,654
Dec	1757	+52	1727	1727	19	9,143
Total					5,253	87,846

■ COCOA (ICCO) (SDR's/tonne)

Dec 9	Price	Prev. day
Daily	1267.51	1265.35

■ COFFEE LIFFE (5 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	1835	+88	1840	1782	4,288	13,430
Mar	1830	+75	1837	1776	0,494	22,545
May	1810	+68	1820	1750	1,326	6,117
Jul	1800	+65	1800	1785	64	1,312
Sep	1800	+65	1800	1800	57	874
Nov	1805	+65	-	-	-	30
Total					12,082	44,848

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	188.00	+0.50	193.25	187.50	166	759
Mar	182.80	-0.60	188.50	181.70	11,145	19,193
May	175.60	+0.30	181.00	175.50	2,843	8,195
Jul	168.50	+1.30	171.00	167.00	388	2,618
Sep	160.50	+1.30	162.50	158.00	126	1,198
Dec	155.00	+1.30	156.00	152.00	137	1,021
Total					14,943	31,132

■ COFFEE (ICO) (US cents/pound)

Dec 9	Price	Prev. day
Comp. daily	135.80	132.46
15 day average	125.73	124.75

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	308.2	-1.6	309.5	308.0	1,595	22,100
May	313.8	-0.2	214.3	313.7	348	6,887
Aug	315.6	-0.2	316.3	315.6	381	4,824
Oct	309.8	-	310.5	309.8	320	3,734
Dec	318.9	-0.1	-	-	-	143
Total					2,622	37,473

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	12.25	-0.08	12.37	12.24	14,888	118.1k
May	12.16	-0.08	12.27	12.15	3,259	31,500
Jul	11.84	-0.05	11.61	11.83	817	28,050
Oct	11.71	-0.01	11.74	11.69	833	24,736
Mar	11.55	+0.01	11.57	11.55	25	6,669
May	11.48	-	-	-	1	948
Total					19,727	208,075

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	68.05	+0.38	68.30	67.20	8,459	43,418
May	69.38	+0.31	69.60	68.50	2,030	14,550
Jul	70.85	+0.24	70.80	70.05	2,069	15,374
Oct	72.70	-	72.70	72.50	180	1,318
Dec	73.64	-0.03	73.80	73.50	873	11,206
Mar	74.35	-0.05	74.60	74.50	82	322
Total					11,891	86,581

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	83.00	-0.15	83.75	80.90	3,863	21,679
Mar	86.35	-	86.70	84.00	3,164	15,723
May	89.45	-0.05	89.50	87.50	422	3,595
Jul	92.50	-	92.50	92.00	78	1,890
Sep	95.40	+0.05	-	-	60	998
Nov	97.85	+0.15	96.00	95.00	5	1,194
Total					7,587	45,810

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Dec 10	Dec 9	month ago	year ago
1797.6	1795.9	1812.5	1960.0

■ CRB Futures (Base: 1967 = 100)

Dec 9	Dec 8	month ago	year ago
237.12	236.28	-	-

■ GSCI Spot (Base: 1970 = 100)

Dec 9	Dec 8	month ago	year ago
186.44	185.90	204.34	216.54

LME WAREHOUSE STOCKS (tonnes)

Aluminium	-4,175	to	649,400
Aluminium alloy	-220	to	42,380
Copper	-3,400	to	342,000
Lead	-450	to	115,350
Nickel	+36	to	66,372
Zinc	-800	to	492,950
Tin	+775	to	9,410

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	67.125	+0.025	67.375	67.050	3,351	10,208
Feb	67.850	-0.175	67.975	67.550	6,641	49,979
Apr	70.725	-0.325	71.125	70.700	2,589	23,152
Jun	69.800	-0.250	70.125	69.750	713	13,506
Aug	70.825	-0.100	71.150	70.825	426	5,427
Oct	72.850	+0.050	73.000	72.800	25	1,319
Total					13,745	103,427

■ LEAN HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	62.275	-0.625	62.800	62.200	2,238	6,114
Feb	60.575	-0.075	60.725	60.100	4,584	20,316
Apr	57.250	-0.225	57.450	57.050	550	7,857
Jun	65.175	-0.075	65.250	65.050	479	4,330
Jul	64.025	-0.125	64.150	63.850	270	1,334
Aug	61.850	-0.100	61.950	61.750	25	213
Total					8,197	40,852

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	56.100	+0.675	56.200	54.900	1,621	6,237
Mar	56.400	+0.550	55.500	54.350	494	1,052
May	56.075	+0.350	56.100	55.500	124	1,018
Jul	55.800	+0.325	55.900	54.800	79	504
Aug	52.275	+0.025	52.800	52.275	3	73
Total					2,321	8,907

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Jan	Apr	Jan	Apr
1550	43	75	15	36
1575	28	62	25	47
1600	17	50	39	59
■ COPPER (Grade A) LME	**Jan**	**Apr**	**Jan**	**Apr**
1750	70	118	20	45
1800	41	89	41	65
1850	21	65	71	91
■ COFFEE LIFFE	**Jan**	**Mar**	**Jan**	**Mar**
1750	94	156	8	76
1800	56	128	21	98
1850	30	103	45	123
■ COCOA LIFFE	**Mar**	**May**	**Mar**	**May**
1050	59	87	37	37
1075	46	73	39	48
1100	36	60	54	60
■ BRENT CRUDE IPE	**Jan**	**Feb**	**Jan**	**Feb**
1700	-	-	-	28
1750	20	-	17	38
1800	-	82	55	60

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$16.61-6.75	-0.345
Brent Blend (dated)	$17.01-7.03	-0.48
Brent Blend (Jan)	$17.56-7.58	-0.48
W.T.I.	$18.18-8.20w	-0.50

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$187-189	-3
Gas Oil	$161-163	-6
Heavy Fuel Oil	$87-89	-3
Naphtha	$174-175	-3
Jet fuel	$182-184	-5.5
Diesel	$172-173	-5

■ NATURAL GAS (Pence/therm)

Bacton (Jan)	16.70-16.80	-0.25

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

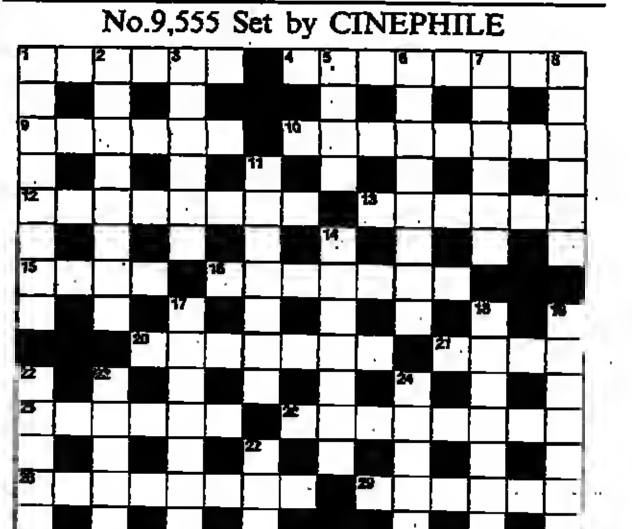
Gold (per troy oz)‡	$284.15	+0.50
Silver (per troy oz)‡	583.50c	+42.50
Platinum (per troy oz.)	$375.75	+1.25
Palladium (per troy oz.)	$207.75	+1.25
Copper	86.0c	+1.0
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	19.92r	-0.08
Tin (New York)	264.5	
Cattle (live weight)	95.45p	+6.60*
Sheep (live weight)	94.84p	+3.33*
Pigs (live weight)†	65.19p	+5.12*
Lon. day sugar (raw)	$294.80	+1.30
Lon. day sugar (wte)	$300.00	-0.50
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£109.00	
Wheat (US Dark North)	Unq	
Rubber (Dec)¶	54.50p	
Rubber (Jan)¶	54.50p	
Rubber (KL RSS No1)	272.0z	+1.0
Coconut Oil (Phil)§	592.5y	+2.5
Palm Oil (Malay.)§	525.0	+5.0
Copra (Phil)§	$387.5	+5.0
Soyabeans (US)	190.0	+2.0
Cotton Outlook 'A' Index	74.55c	-0.35
Wooltops (64s Super)	390p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Jan/Feb. w Jan. ¶London Physical. § CIF Rotterdam. ‡ Bullion market close. * Change on week. †Based on 1,749 head of pigs sold.

JOTTER PAD

CROSSWORD

No.9,555 Set by CINEPHILE

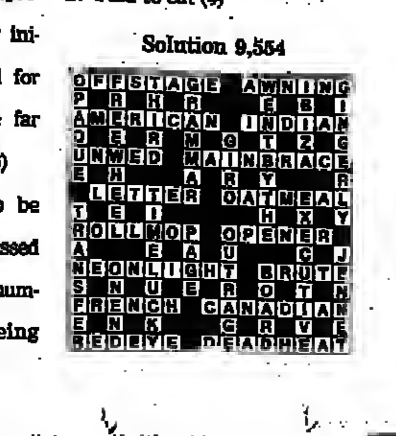


EC has the same meaning throughout

ACROSS
1 EC's fighting observed (6)
4 A taste of the countryside for a pious baronet? (6)
9 EC's substantive access to a king (6)
10 Leave some equestrians in hot water? (8)
12 EC inhabitant to give name to ship (8)
13 Improvement to appear on trouser-leg with inversion (6)
15 Cryptic attachment to highway? (4)
16 EC's multistorey pub? (7)
20 EC is in Inv (correction required) (7)
21 EC costume no. 1 (4)
25 Food is inclined to make one bleed (6)
26 Enthusiasm abont covert hint for overhead projection? (8)
28 EC inhabitant on duty initially in solitary (8)
29 At last a tailless bird for EC (6)
30 Need a tip? Could be far from spring (4,4)
31 Nuts delivered by EC (6)

DOWN
1 Ibsen's work used to be decoyed (4,4)
2 Pretty girls may be bussed or smacked (8)
3 A cat in charge of a number of protons (6)
5 Accustomed to being exploited (4)
6 Very large object surrounding posh politician (8)
7 EC would be a pest with left for right (6)
8 EC's a model for birds (6)
11 Doesn't leave what's left (7)
14 The white is second in a light unit (7)
17 Some such ill fortune befell the Bronze Age stronghold (8)
18 Irresolute person gets more appalling with the insertion (8)
19 Premature retirement? There go the first potatoes! (5,3)
22 EC gave us White Christmas (6)
23 EC to struggle with backward girl (6)
24 EC in a train crash (6)
27 Paid to eat (4)

Solution 9,554



هكذا من الأعلى

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OFFSHORE AND OVERSEAS

BERMUDA (FSA RECOGNISED)

BERMUDA (REGULATED)(**)

GUERNSEY (FSA RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (FSA RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (FSA RECOGNISED)

ISLE OF MAN (REGULATED)(**)

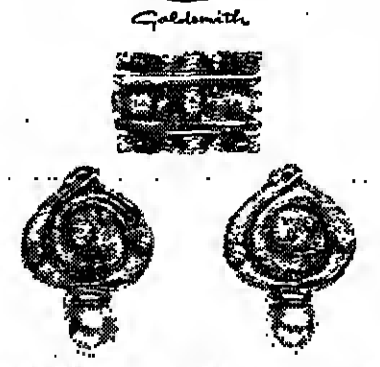
JERSEY (FSA RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (FSA RECOGNISED)

ELIZABETH GAGE

Goldsmith



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Iraq adds to pressure on oil

MARKETS REPORT

Offshore Funds and Insurances

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	Init Charge	Selling Price	Buying Price	+ or -	Yield Gr's
BAII Asset Management Ltd					
10 Piccadilly, London W1V 0EE				0171 734 3700	
Intermarket NAV Nov 14 F.		$975.35		+0.82	-
Interportfolio Fund					
Convertible (US$) Aug 31		$772.58		-	-
Convertible (FFr) Aug 31 F		FFr3307.57		-	-
Bank Von Ernst & Cie AG					
[illegible]				[illegible]	
UK Equity		£16.49		-0.03	-
UK Smaller Co's Eqty		£27.44		-0.07	-
Nth American Equity		$18.11		-0.13	-
US Smaller Co's Eqty		$28.33		-0.28	-
Pacific Basin Equity		$11.25		-0.27	-
Japanese Equity		Y405		-	-
European Equity		[illegible]		-0.07	-
Swiss Equity		[illegible]		-0.02	-
Sterling Fixed Int		[illegible]		+0.03	-
Sterling Fixed Int DM		[illegible]		+0.02	-
European Fixed Int		[illegible]		-	-
European Fixed Int DM		[illegible]		-	-
DM Bond Cap		[illegible]		-	-
DM Short Term Cap		[illegible]		-	-
Global Equity		[illegible]		-0.02	-
Global Bond		[illegible]		-0.02	-
Global Bond Div		[illegible]		-0.01	-
Global Managed		[illegible]		-0.01	-
Swiss Franc Short Term Div		[illegible]		-	-
Swiss Franc Short Term Cap		[illegible]		-	-
Swiss Franc Bonds Div		[illegible]		-	-
Swiss Franc Bonds Cap.		[illegible]		-	-
Banque Indosuez					
39 Allee Scheffer, L-2520 Luxembourg				00352 47671	
Indosuez European Small Cos		DM14.80		-	-
Indosuez Multimedia		$18.61		-	-
Barclays Diversified Portfolio (z)					

	Init Charge	Selling Price	Buying Price	+ or -	Yield Gr's
Frontrunner I (u)					
672 rue de Neudorf, Luxembourg				00 352 43687350	
European Value Fd		Ecu180.73		-	-
Global Bond Fd		DM160.07		-	-
Global Bond Fd		DM156.14		-	-
Sterling Bond Fd		£201.30		-	-
Danish Bond Fd		DKr189.87		-	-
Swedish Bond Fd	5	SKr133.75		-	-
German Bond Fd		DM106.50		-	-
Dollar Bond Fd	3	[illegible]		-	-
Scandinavian Value Fd		Ecu262.30		-	-
Far East Value Fd		[illegible]		-	-
North American Value Fd	6	$115.13		-	-
Danish Kroner Reserve		DKr112.14		-	-
Swedish Kroner Reserve		SKr118.09		-	-
German Mark Reserve		DM109.82		-	-
US Dollar Reserve	3	$102.84		-	-
ECU Reserve		Ecu112.39		-	-
Norwegian Kroner Reserve		NKr101.10		-	-
GT Global					
HSBC Investment Funds Luxembourg SA (u)					

Morgan Stanley Sicav - Contd.

Nikko Global Umbrella Fund

[illegible]

OFFSHORE INSURANCES

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

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Offshore Insurances and Other Funds

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Professional Investment Consultants

	Selling Price	Buying Price	+ or -	Yield Gross
Premier Lux $	$1.15	1.23	—	-
Premier Lux £	£0.79	0.83	—	-
PCI Worldwide Opps	$1.330	1.430	—	-
SPLA Flexible Growth	$1.053	1.111	+0.001	-

Royal Life International

Royal Court, Arbory Rd, Castletown IoM

Aurum Funds

BAS-EX Currency Fund Plc

BEA Associates

BZW Nikko US IT

Julius Baer Bank & Trust Co Ltd

Bahia Fund

Banca Reig, S.A. (Principality of Andorra)

Banco do Brasil-BB Fund

Banc Internacional D'Andorra Banca Mora

Global Atic Inc

	Selling Price	Buying Price	+ or -	Yield Gross
NAV Nov 25	$833.76		—	-

Global Convertible Megatrend

	Selling Price	Buying Price	+ or -	Yield Gross
NAV Nov 30	$122.88		—	-

Global Fund Management S.A.

The Global Managed Investec Bond Limited

	Selling Price	Buying Price	+ or -	Yield Gross
Global Growth	$1.165	1.224	—	0.00
Managed Fd USD Class	$1.159	1.217	—	0.00
Managed Fd DEM Class	DM1.168	1.227	—	0.00
Managed Fd GBP Class	$1.148	1.208	—	0.00

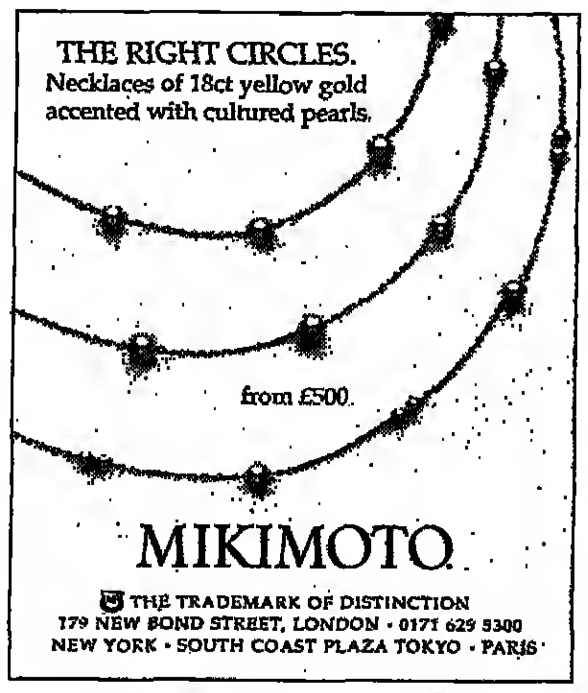
Jupiter Asset Management (Asia) Ltd

Jupiter Asset Mngt (Bermuda) Ltd

	Selling Price	Buying Price	+ or -	Yield Gross
Jupiter Hedge	£1.49	1.57	-0.11	-

Jupiter Tyndall Specialist Fund Ltd

	Selling Price	Buying Price	+ or -	Yield Gross
Brazil Class	$1.37	1.45	+0.04	-
Mexico Class	$1.43	1.51	+0.01	-



Global Portfolio (BVI) Management Ltd

Globalvest Management Co LP

Goldman Sachs

KD Offshore Fund, C.V.

Kenmar Management Limited

OTHER OFFSHORE FUNDS

● MANAGED FUNDS NOTES

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

Notes	Price	+ or -	52 week high	low	Volume '000s	Yld Gr's	P/E
[illegible]							

BANKS, RETAIL

[illegible]

BREWERIES, PUBS & REST

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

CHEMICALS - Cont.

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ENGINEERING

[illegible]

ENGINEERING - Cont.

[illegible]

ENGINEERING, VEHICLES

[illegible]

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ENGINEERING, VEHICLES - Cont.

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HEALTH CARE - Cont.

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

LONDON SHARE SERVICE

OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FTSE Actuaries Share Indices.

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MEDIA - Cont.

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SUPPORT SERVICES

[illegible]

The Financial Times plans to publish a Survey on

US Power Industry

on Tuesday February 3 1998

For further information please contact:

Kate Zietarski

Tel: +44 171 873 4263 Fax: +44 171 873 3428

or William MacLeod

Tel: +1 212 745 1343 Fax: +1 212 319 0704

or your usual Financial Times representative

FT Surveys

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	low	Volume '000s	Yld Gr's	P/E
Anglo Am Ind R		£23¼		*£27¼	£21⅝	-	3.0	φ
Barlow	‡	£5½	-¼	£8¼	£5¼	-	3.0	φ
Gold Flds Prop R		120½	-½	107	119	-	6.7	16.0
SA Brews	†	£14434xd	-⅜	£22¼	£13¼	-	2.6	-
Standard Bank		£25¼	-¾	£30	£21	-	2.1	-
Tiger Oats		850	-15	1109	790	-	2.3	φ
Tongaat-Hulett		745½xd	-3½	789	719½	-	2.4	φ

TRADED INDEX SECURITIES

	Notes	Price	+ or -	52 week high	low	Volume '000s	Yld Gr's	P/E
FTSE 100 TRANS		£50300d		£50300	£47200	-	-	-

GUIDE TO LONDON SHARE SERVICE

Prices and trading volumes for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. For FTSE 100 Index constituents and reserves marked † in the Trading Volume table on the LSE page, last trade prices at or prior to 4:30pm market close are shown, as these shares are now traded on the Stock Exchange Electronic Trading System ("SETS"). Highs and lows are based on intra-day mid-prices/last trades over a rolling 52 week period.

Trading Volumes are end of day accumulated totals. Dashes indicate that either no trade has taken place during the day or the data is not available for those particular securities. Volumes shown for foreign securities are based on London trading.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols relating to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Earnings used in calculations are based on IIMR "Headline Earnings" formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- φ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement
- ♠ Unregulated collective investment scheme

a Yield based on annualised dividend
h Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
k Assumed dividend yield after scrip issue.
e Rights issue pending
q Earnings based on preliminary figures.
d Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
z Dividend yield includes a special payment.
F Yield based on prospectus or other official estimates for 1996-97.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1997
K Yield based on prospectus or other official estimates for 1995
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1997-98.
Q Dividend is paid in whole or part as a FID (Foreign Income Dividend)
S Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xf ex capital distribution.

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LONDON STOCK EXCHANGE

Far east and US shadows fall on UK stocks

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

London shares extended Tuesday's losses as worries about the potential for further turbulence in the far east returned to haunt European markets.

Those fears proved too much of a burden for an equity market already hit by the weak performance of Wall Street overnight and again in early trading yesterday.

The Dow Jooes Industrial Average threatened a three-figure fall oot long after Loodoo closed. Also weighing on equities was a modestly disappointing outcome to the gilts auction, which was covered only 1.77 times compared with expectations of 2-2.5 times. Gilts drifted back around 4 ticks, removing one of the recent props under the equity market.

Further unsettling news for shares came with confirmation from the monetary policy committee that the last rise in UK interest rates - the 25 basis point increase in November - was unanimous and that further increases might be necessary to cootain inflationary pressures.

The FTSE 100 index closed the sessioo 46.4 off at 5,130.7.

Downside pressures on the second and third line stocks were much smaller, however. The FTSE 250 index again outperformed the senior index, and gave up only 12.3 to 4,769.3, while the FTSE SmallCap ended a net 0.5 lower at 2,305.1.

Dealers were not too depressed by London's showing, pointing out that the factors behind the Footsie's move above 5,200 in recent sessions remained intact.

"The share buybacks and takeover stories are still around and the institutions remain stuffed with cash," said one trader.

The banks and insurance sectors, alive with bid speculation for so long, took a back seat yesterday with the far east sensitive stocks, HSBC and Standard Chartered, coming under heavy fire.

But some banking specialists said UK stocks might well react positively to speculation that further pan-European mergers might be on the cards, specifically between two of the leading French banks, Paribas and Soc Gen, and Germany's Dresdner Kleinwort Benson and Allianz.

There was some actual takeover news to keep the speculators happy; Christies International, the auctioneers, said it had received another approach that could lead to a full bid.

Retail stocks, already buffeted by Tuesday'e rather gloomy report from the British Retail Consortium, took another pounding after a disappointing trading update from Kingfisher.

The high street retailer said its electrical goods division, Comet, had experienced a significant slowing in sales in the third quarter - news that spilled over to affect other electrical specialists, such as Dixons.

There was some comfort for the big exporters from a decline in the pound with the Bank of England's sterling index dipping below the 104 mark for the first time since November 26.

Turnover in equities was a rather disappointing 775m shares, with non-Footsie stocks accounting for around 54 per cent.

Indices and ratios

FTSE 100	5130.7	-46.4
FTSE 250	4769.3	-12.3
FTSE 350	2466.0	-19.3
FTSE All-Share	2407.16	-17.65
FTSE All-Share yield	3.24	3.22
FT 30	3267.4	-24.5
FTSE Non-Fins p/e	20.09	20.22
FTSE100 Fut Dec	5116.0	-71.0
10 yr Gilt yield	6.46	6.48
Long gilt/equity yld ratio	1.99	2.01

Best performing sectors

1	Chemicals	+0.9
2	Water	+0.7
3	Diversified Inds	+0.5
4	Alcoholic Bevs	+0.5
5	Retailers: Food	+0.4

Worst performing sectors

1	Insurance	-1.8
2	Engineering: Vehicles	-1.8
3	Banks: Retail	-1.7
4	Building & Construction	-1.5
5	Tobacco	-1.4

Railtrack under pressure

By Martin Brice, Penelope Clayton and Peter John

Railtrack shares once again exhibited their sensitivity to regulatory issues as investors took fright at the latest statement from John Swift, the rail regulator.

A wave of sustained selling sent the stock back down through the £10 level. The shares shed 84 to 996p, the biggest fall in the FTSE 100. Volume was a brisk 4.4m.

Some specialists saw the share price fall as a simple over-reaction to the statement, which talked of more challenging targets for cost efficiency gains and performance, but not for three years. However, the shares have had a good run recently and there was said to be some profit-taking in the price fall.

The statement focused on the issue of charges made to train operating companies to use Railtrack's lines, and shares in these companies outperformed the market on hopes that they would pay less.

The largest of them, Stagecoach, gained 8½ to 785p as the shares shrugged off recent fears of regulation of its railway stock leasing subsidiary. FirstBus firmed to 223½p, Go-Ahead Group rose 5¼ to 529p, and National Express gained 1½ to 609½p.

The fall-out in east Asia rippled over to companies linked to the regioo, particularly HSBC and Standard Chartered.

The Hong Kong stock market fell sharply before the opening of the UK market and HSBC, which represents a large proportioo of the Hang Seng index, fell 84 to £15.46 in the HK$ stock while Standard dropped 35 to 725p.

Their weakness belped depress the UK banking sector with National Westminster, which has beeo fuelled by takeover speculation, falling 17 to 999p, and Lloyds TSB, which has been seen as a potential rival bidder for NatWest, shedding 13¼ to 757p. However, Barclays, which has been tipped as a potential aggressor for NatWest, gained 26 to £16.65 in response to an earlier recommendation from Cazenove.

Housebuilding stocks continued to suffer in the wake of results on Tuesday from Berkeley Group, in which the company expressed caution about the rate of demand for houses.

Berkeley continued to fall, by 11 to 630½p and the sentiment spread to others in the sector.

Most of its peer group suffered significant declines, with Bryant Group shedding 6¼ to 106½p, Beazer Group off 8½ to 155p, and Barratt Developments down 8½ to 225½p. However, volumes were not exceptional.

There were some suggestions that investors should have welcomed an indication that the housing market was slowing down, and Kevin Cammack at Merrill Lynch said: "There are some great buying opportunities in these stocks now, but they are utterly friendless."

A slower outlook for building companies was also said to be behind the fall at Blue Circle, which lost 10 to 325p.

The fall-out spread to Polypipe, which makes plastic pipes. It suffered one of the largest falls in the FTSE 250 – down 11 to 184½p.

GKN was off 46 at £12.64 as the old stories went the rounds of it losing a contract with Renault and of a possible delay of a helicopter order from the Canadian government. BZW was said to have adopted a much more cautious stance on the stock.

Food retailers remained a feature as leading stocks featured prominently in the list of FTSE 100 risers amid heavy volume. Possible bid target Safeway achieved the largest rise in the Footsie as it gained 17 to 355p in chunky volume of 12m, while Asda, the company tipped as a potential predator, gained 1¼ to 175½p in volume of 8.3m.

Sector focus was also provided by a research note from Credit Lyonnais Laing, which recommended investors to reduce their holdings. Paul Smiddy at the broker told clients: "The sector is running out of steam."

He believed that the "safe haven" status of the stocks was not enough to justify the present 15 per cent premium to the market, and that progressive weakening of sterling in the first half of 1998 would diminish the food retailers' attractions.

He recommended clients to sell Sainsbury, down 6 at 511p and Tesco, unchanged at 506p in volume of 2.7m.

He also said a merger of Safeway and Asda would "undoubtedly revive old concerns of the sustainability of industry margins".

RJB Mining jumped 20 to 180p, making it the best performer in the FTSE 250 index, after the prime minister said that the mining group had made long-term deals with the main UK electricity generators.

Share in Q Group, the AIM-quoted educational publishers, rose 20 per cent. Bargain-hunters were said to be buying the stock, which was close to the year's low before rising 11 to 64½p.

The group's broker said the company was set to meet its annual profit target of £1.55m by December 31, reversing an operating loss for 1996.

Glaxo Wellcome dropped 14 to £14.26 despite generally positive comment following an analyst and investor visit to the drug company's research headquarters on Tuesday.

The stock enjoyed a strong run ahead of the briefing, gaining 10.7 per cent through the past seven sessions. Dresdner Kleinwort Benson repeated a "sell" rating on the stock.

David S. Smith, the packaging and paper group, slid 9½ to 196½p as the company announced figures and said it would continue to suffer if sterling maintained its current exchange rates against European currencies. Peter Williams, the chief executive, said if the pound held at the current DM2.95 level, it would result in a further deterioration of £6m-£7m in its results for the current financial year.

Limit, the Lloyd's of London underwriting fund, rose 8 or almost 6 per cent to 146p after the company posted higher half-year profits, up from £7.6m to £10.2m.

Energis, which was floated at 295p a share on Tuesday, saw subdued trading yesterday after brokers took a cautious view on the outlook,

ABN Amro Hoare Govett issued an analysis yesterday that valued the stock at as little as 260p a share.

Also, it was believed that US investors, who have been very keen on UK public offerings recently and might well have been supportive of the Energis float, might take profits soon. The shares dipped slightly to 291½p.

Razorback, an Australian group that produces a vehicle loading mechanism, did not exactly hog investors' attention on its first day of trading. The AIM-quoted shares closed at 102½p, compared with a placing price of 102p.

FT 30 INDEX

	Dec 10	Dec 9	Dec 8	Dec 5	Dec 4	Yr ago	*High	*Low
FT 30	3267.4	3291.9	3291.5	3279.8	3264.4	2751.7	3430.3	2658.8
Ord. div. yield	3.48	3.43	3.42	3.44	3.47	4.14	4.22	3.29
P/E ratio net	21.26	21.46	21.47	21.35	21.19	16.67	22.38	15.8
P/E ratio nil	20.97	21.17	21.18	21.05	20.89	16.52	22.02	15.71

FT 30 since compilation: high 3430.3 16/10/97; low 49.4 26/06/40. Base Date: 1/7/35.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1997 High	1997 Low	Stock
§	F.P.	51.1	102	99½	Advance UK Tst
-	F.P.	1,854	30½	29½	BG 'B'
-	F.P.	13.7	21½	16½	Boustead
§200	F.P.	220.0	204½	186	Bovis Homes
§90	F.P.	16.8	134½	102½	†CRC
§	F.P.	6.92	114	113½	Capital Opps Tst
§-	F.P.	2.58	73	63	Comland Comm
§150	F.P.	8.47	153½	153½	†Cresco Intl
-	F.P.	-	£177	£168	Fleming Grd Units
*	F.P.	18.4	100	85	Foresight Tech

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Highs & Lows shown on a 52 week basis

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NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	TUESDAY DECEMBER 9 1997 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY DECEMBER 8 1997 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (74)	200.94	-0.9	181.04	164.97	187.48	200.40	-0.3	3.76	202.76	182.41	167.33	188.52	200.94	243.87	190.41	216.25
Austria (22)	191.69	1.2	172.71	157.37	178.85	178.74	1.5	1.90	189.40	170.39	156.31	176.09	175.99	213.59	175.14	183.95
Belgium (27)	254.30	-1.0	229.12	208.77	237.28	232.09	-0.7	2.97	256.87	231.08	211.99	238.82	233.71	261.11	221.31	224.23
Brazil (30)	230.93	-2.0	208.06	189.58	215.45	472.55	-2.0	1.58	235.62	211.97	194.45	219.07	482.11	322.44	178.98	184.51
Canada (122)	216.10	-0.3	194.75	177.46	201.69	222.53	-0.4	1.77	216.93	195.16	179.03	201.69	223.42	233.86	178.27	191.14
Denmark (32)	435.24	-0.2	392.14	357.32	406.08	404.50	0.1	1.27	436.21	392.43	360.00	405.58	404.03	436.21	334.25	334.28
Finland (26)	292.33	-1.8	263.37	239.99	272.74	332.19	-1.5	1.89	297.57	267.70	245.58	276.67	337.38	349.43	232.88	237.91
France (84)	236.25	0.5	212.85	193.95	220.42	222.62	0.9	2.40	235.06	211.46	193.99	218.55	220.69	248.23	203.73	206.47
Germany (58)	227.62	-1.1	205.07	186.86	212.36	212.36	-0.8	1.38	230.21	207.11	189.99	214.04	214.04	243.87	183.03	166.33
Hong Kong, China (66)	380.80	-2.1	343.09	312.62	355.28	378.38	-2.1	4.23	389.07	350.02	321.09	361.74	386.49	580.03	314.78	499.01
Indonesia (27)	84.55	-8.4	76.16	69.41	78.89	237.31	0.6	2.84	92.34	83.07	76.21	85.85	235.93	254.90	84.55	227.69
Ireland (16)	409.57	1.2	369.01	336.24	382.13	397.90	1.5	2.48	404.81	364.18	334.06	376.37	391.80	409.57	310.29	313.22
Italy (53)	110.85	-0.1	99.88	91.01	103.43	145.41	0.2	1.69	110.99	99.85	91.60	103.20	145.14	115.27	79.11	80.62
Japan (482)	100.97	2.9	90.70	82.64	93.92	82.64	2.4	0.96	97.82	88.00	80.73	90.95	80.73	141.12	85.91	137.30
Malaysia (107)	191.17	-5.2	172.23	156.94	178.36	270.04	-5.3	2.69	201.68	181.44	166.44	187.51	285.06	660.85	170.21	588.89
Mexico (27)	1732.15	0.0	1560.60	1422.02	1616.07	15360.95	0.0	1.58	1732.28	1558.41	1429.63	1610.61	15362.14	1901.98	1147.96	1202.99
Netherlands (19)	412.80	-0.4	371.92	338.89	385.14	381.05	-0.1	2.20	414.58	372.95	342.13	385.45	381.34	440.67	313.78	319.08
New Zealand (14)	82.77	0.1	74.58	67.95	77.23	73.57	0.4	4.20	82.65	74.35	68.21	76.84	73.27	98.47	75.37	92.47
Norway (36)	334.16	-0.1	301.06	274.33	311.76	329.70	0.5	1.85	334.43	300.86	276.00	310.94	327.37	374.84	277.33	283.14
Philippines (22)	94.74	2.4	85.35	77.78	88.39	185.89	2.4	1.26	92.54	83.25	76.37	86.04	161.87	214.07	78.40	197.88
Singapore (42)	261.82	-1.1	235.89	214.94	244.27	196.04	-0.6	1.63	264.82	238.24	218.55	246.22	197.16	446.01	215.21	414.76
South Africa (43)	262.81	0.1	236.80	215.59	245.01	280.25	0.3	3.08	262.45	236.11	216.60	244.02	279.28	370.12	259.47	317.48
Spain (33)	273.12	0.6	246.07	224.22	254.82	313.62	1.0	2.16	271.47	244.23	224.04	252.41	310.65	277.39	198.92	199.48
Sweden (48)	484.55	-1.1	436.56	397.79	452.08	562.22	-0.7	1.85	489.92	440.75	404.32	455.51	566.30	538.94	402.43	411.69
Switzerland (32)	330.53	-0.6	297.79	271.35	308.38	299.65	0.1	1.12	332.47	299.10	274.38	309.12	299.45	332.47	231.69	237.39
Thailand (99)	24.85	-3.1	22.39	20.40	23.16	40.86	-1.8	6.95	25.64	23.07	21.16	23.84	41.60	109.20	22.52	108.81
United Kingdom (214)	333.96	-0.3	300.88	274.16	311.58	300.88	-0.2	3.27	335.14	301.50	276.58	311.60	301.50	337.99	264.87	265.54
USA (642)	397.90	-0.7	358.50	326.66	371.24	397.90	-0.7	1.56	400.73	360.81	330.72	372.59	400.73	401.22	293.43	305.22
Americas (821)	361.46	-0.7	325.66	296.74	337.23	305.00	-0.7	1.57	363.99	327.45	300.40	338.43	307.15	365.75	268.24	279.05
Europe (705)	288.07	-0.4	259.54	236.49	268.77	272.48	-0.1	2.35	289.19	260.18	238.66	268.88	272.69	296.25	227.46	229.29
Nordic (147)	422.96	-0.9	381.07	347.23	394.62	426.22	-0.6	1.76	427.03	384.17	352.42	397.04	430.74	464.93	345.30	351.56
Pacific Basin (873)	112.10	1.7	100.99	92.03	104.58	92.73	1.4	1.60	110.18	99.12	90.93	102.44	91.41	158.99	107.50	155.20
Euro-Pacific (1578)	185.50	0.3	167.13	152.29	173.07	160.23	0.5	2.09	184.85	166.29	152.55	171.87	159.50	209.12	173.55	185.96
North America (764)	386.38	-0.7	348.11	317.20	360.48	386.12	-0.7	1.57	389.06	350.01	321.09	361.73	388.81	389.57	286.81	298.37
Europe Ex. UK (491)	257.24	-0.4	231.76	211.16	240.00	250.37	0.0	1.82	258.29	232.36	213.10	240.15	250.39	267.07	202.63	204.92
Pacific Ex. Japan (391)	213.56	-1.9	192.41	175.33	199.25	210.60	-1.5	3.69	217.77	195.91	179.72	202.47	213.71	320.65	194.30	310.17
World Ex. US (1800)	189.30	0.3	170.55	155.41	176.61	166.84	0.4	2.07	188.76	169.81	155.79	175.50	166.22	212.89	176.94	188.12
World Ex. UK (2228)	249.13	-0.2	224.48	204.53	232.44	226.77	-0.2	1.63	249.65	224.60	206.04	232.12	227.17	262.69	211.16	221.14
World Ex. Japan (1960)	334.37	-0.3	301.25	274.50	311.96	329.10	-0.5	1.93	336.53	302.75	277.73	312.89	329.82	344.35	264.51	271.03
The World Index (2442)	256.94	-0.2	230.95	210.44	239.10	233.51	-0.2	1.81	256.91	231.12	212.02	238.87	233.93	268.47	216.61	224.97

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4 pm close December 10

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d-new yearly low. P/E price-earnings ratio. ss-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
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GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Dec 9	Dec 8	Dec 5	1997 High	1997 Low	Since compilation High	Since compilation Low
Industrials	8049.66	8110.84	8149.13	8259.31 (6/8)	6391.69 (11/4)	8259.31 (6/8/97)	41.22 (2/7/32)
Home Bonds	104.46	104.54	104.88	104.88 (4/12)	101.08 (14/4)	104.88 (4/12/97)	54.99 (1/10/81)
Transport	3340.50	3362.43	3315.94	3358.27 (15/10)	2222.07 (2/1)	3358.27 (15/10/97)	13.23 (8/7/32)
Utilities	259.82	259.97	259.80	261.18 (1/12)	208.47 (25/4)	261.18 (1/12/97)	10.50 (8/4/32)

DJ Ind. Day's high 8142.67 (8155.89) Low 7990.88 (8057.37) (Theoretical) Day's high 8111.03 (8156.08) Low 8022.77 (8093.73) (Actual)

Standard and Poors	Dec 9	Dec 8	Dec 5	1997 High	1997 Low	Since compilation High	Since compilation Low
Composite‡	975.78	982.37	983.79	983.79 (5/12)	737.01 (2/1)	983.79 (5/12/97)	4.40 (1/6/32)
Industrials‡	1128.02	1137.76	1140.07	1146.82 (7/10)	868.42 (11/4)	1146.82 (7/10/97)	3.52 (30/6/32)
Financial‡	120.39	120.83	120.79	125.82 (8/12)	83.70 (2/1)	125.82 (8/12/97)	7.13 (4/6/74)
Others							
NYSE Comp.	510.86	513.44	514.31	514.31 (5/12)	389.47 (11/4)	514.31 (5/12/97)	4.64 (28/4/42)
Amex Comp	671.56	673.49	670.27	721.89 (7/10)	641.20 (2/1)	721.89 (7/10/97)	29.31 (9/12/72)
NASDAQ Comp	1620.55	1651.54	1633.90	1745.85 (9/10)	1201.00 (2/4)	1745.85 (9/10/97)	54.87 (31/10/72)
Russell 2000	438.16	442.03	438.06	465.21 (13/10)	335.85 (25/4)	465.21 (13/10/97)	123.39 (29/12/90)

RATIOS

	Dec 5	Nov 28	Nov 21	Year ago
Dow Jones Ind. Div. Yield	1.68	1.74	1.73	2.05
	Dec 3	Nov 26	Nov 19	Year ago
S & P Ind. Div. yield	1.46	1.50	1.50	1.83
S & P Ind. P/E ratio	26.33	25.78	25.38	23.08

US DATA

MARKET ACTIVITY

Volume (million)	Dec 9	Dec 8	Dec 5
NYSE	544.050	483.460	583.590
Amex	26.370	24.735	28.708
NASDAQ	811.067	642.229	671.058

NYSE	Dec 9	Dec 8	Dec 5
Issues Traded	3,440	3,477	3,421
Rises	1,124	1,502	1,721
Falls	1,773	1,346	1,168
Unchanged	543	629	532
New Highs	170	243	185
New Lows	81	23	48

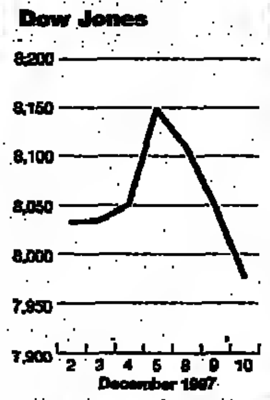
NYSE TRADING ACTIVITY Volume: 544,050,000

ACTIVE STOCKS / BIGGEST MOVERS (Tuesday): [illegible]

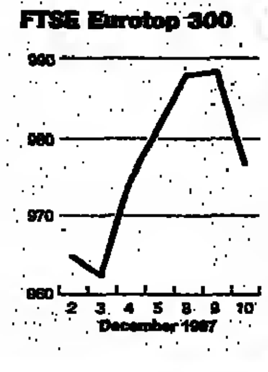
NASDAQ TRADING ACTIVITY Volume: 811,067,000

ACTIVE STOCKS / BIGGEST MOVERS (Tuesday): [illegible]

Dow Jones



FTSE Eurotop 300



JAPAN

	Dec 10	Dec 9	Dec 8	1997 High	1997 Low	Since compilation High	Since compilation Low
Nikkei 225	16478.12	16686.51	16131.57	20681.07	15082.52	38915.9	85.25

TOKYO TRADING ACTIVITY Volume: 306,000,000

ACTIVE STOCKS / BIGGEST MOVERS (Wednesday): [illegible]

FRANCE

	Dec 10	Dec 9	Dec 8	1997 High	1997 Low	Since compilation High	Since compilation Low
CAC 40	2932.10	2959.40	2932.47	3094.01	2256.97	3094.01	984.81

PARIS TRADING ACTIVITY Volume: 482,100,280

ACTIVE STOCKS / BIGGEST MOVERS (Wednesday): [illegible]

GERMANY

	Dec 10	Dec 9	Dec 8	1997 High	1997 Low	Since compilation High	Since compilation Low
DAX	4117.27	4184.91	4223.36	4438.93	2848.77	4438.93	931.18

FRANKFURT TRADING ACTIVITY Volume: 10,801,846

ACTIVE STOCKS / BIGGEST MOVERS (Wednesday): [illegible]

UK

	Dec 10	Dec 9	Dec 8	1997 High	1997 Low	Since compilation High	Since compilation Low
FTSE 100	5130.7	5177.1	5187.4	5330.8	4056.6	5330.8	986.9

LONDON TRADING ACTIVITY Volume: 772,900,000

ACTIVE STOCKS / BIGGEST MOVERS (Wednesday): [illegible]

INDEX FUTURES

■ S&P 500	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	979.80	973.50	-5.30	979.80	971.50	111,790	281,210
Mar	984.30	984.70	-5.50	985.50	984.10	25,264	128,476
■ Nikkei 225	**Open**	**Sett price**	**Change**	**High**	**Low**	**Est. vol.**	**Open int.**
Dec	16700.0	16520.0	-190.0	16700.0	16400.0	13,162	82,798
Mar	16690.0	16490.0	-280.0	16720.0	16420.0	10,610	115,698

Open interest figures for previous day.

■ CAC-40 (200 x index)	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Dec	2950.0	2935.0	-32.0	2958.0	2921.0	16,287	42,350
Jan	2958.0	2942.0	-32.0	2958.0	2931.0	3,301	4,782
■ DAX							
Dec	4180.0	4112.0	-84.5	4185.0	4102.5	19,031	69,933
Mar	4218.0	4149.0	-82.0	4219.5	4141.5	3,251	14,681

■ OMX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Dec	2460.00	2431.00	-56.00	2468.00	2431.00	4,504	30,127
Jan	2470.75	2449.00	-48.00	2475.00	2447.00	721	1,842
■ SOFFEX							
Dec	6091.0	6040.0	-60.0	6122.0	6040.0	3,957	22,389
Jan	6087.0	6048.0	-128.7	6090.0	6048.0	355	2,632

WORLD MARKETS AT A GLANCE

Country	Index	Dec 10	Dec 9	Dec 8	1997 High	1997 Low	☆ Yield	☆ P/E
Argentina	General	23912.20	23025.76	(c)	25771.78 22/10	18237.37 2/1	3.21	19.3
♣The market fell heavily, dragged down by weakness in Brazilian stocks.								
Australia	All Ordinaries	2554.7	2582.8	2587.0	2779.20 25/9	2289.20 28/10	3.53	18.6
	All Mining	568.8	581.5	583.2	982.10 24/2	541.18 27/11		
The resources sector led the market lower, while gold mines also fell as the bullion price hit an 18-year low.								
Austria	Credit Aktien	445.36	451.32	(c)	474.42 2/10	374.40 8/1	1.95	15.3
	Traded Index	1305.84	1323.80	(c)	1480.49 31/7	1130.22 8/1		
Weaker dollar triggered profit taking. Industrial group VA Stahl lost more than 5 per cent to Sch498.								
Belgium	BEL20	2471.37	2487.75	2511.74	2621.90 28/7	1871.05 2/1	2.28	16.6
Outperformed other European bourses as continuing speculation about mergers boosted selected financial stocks.								
Brazil	Bovespa	9449.0	9840.0	10079.0	13617.90 8/7	6855.50 2/1	0.6	na
♣Dealers said share prices were falling because of a lack of liquidity and volume ahead of next week's options expiry.								
Canada	TSE 100♦	410.49	411.17	412.39	430.48 7/10	342.12 11/4	1.83	20.2
	Metals Minls♦	3916.57	3945.42	3975.22	5891.76 10/3	3780.95 26/11		
	Composite♦	6758.10	6767.0	6787.70	7209.80 7/10	5878.30 14/4		
	Portfolio§§	3424.02	3436.82	3454.58	3647.89 7/10	2846.82 11/4		
♣Shares slipped back on Wall Street worries after opening higher.								
Chile	IGPA Gen♥	4904.39	4935.42	(c)	5686.71 4/7	4912.42 2/1	3.81	15.9
China	Shanghai B	59.92	60.40	59.82	98.21 7/5	54.31 1/12	1.10	71.7
	Shenzhen B	104.18	104.59	104.99	184.20 6/5	94.93 2/12		
Foreign selling of companies expected to post weak results was offset by institutional buying of Zhujiang Power.								
Colombia	IBB	(u)	1405.97	(c)	1533.72 16/10	844.41 2/1	na	na
Czech Republic	PX 50	476.8	472.2	468.0	629.60 25/2	458.50 1/12	na	na
Volumes remained very thin as investors sat on the sidelines pending a resolution of the country's political crisis.								
Denmark	CopenhagenSE	657.10	657.85	658.19	682.81 6/10	470.14 2/1	1.29	21.1
Sophus Berendsen was the main focus, slipping on weakness in shares of its UK listed subsidiary, Rentokil.								
Egypt	Cairo SE Gen	(u)	326.72	333.93	- -	- -	na	na
Finland	HEX General	3344.34	3421.20	3458.28	3890.81 22/10	2483.28 2/1	2.33	14.3
Market heavyweight Nokia lost ground following Tuesday's sell-off in US technology stocks.								
France	SBF 250	1905.62	1918.22	1905.41	2003.43 31/7	1533.19 2/1	2.44	17.8
	CAC 40	2932.16	2959.40	2932.47	3094.01 3/10	2256.97 2/1		
Banks staged a late surge, with Paribas ending 9 per cent up at FFr537 on talk of a FFr600 bid from Société Générale.								
Germany	FAZ Aktien	1369.54	1381.08	1386.57	1481.44 31/7	988.21 2/1	1.42	20.4
	Commerzbank	4023.20	4063.80	4088.40	4336.70 31/7	2875.90 2/1		
	DAX‡	4117.27	4184.91	4223.36	4438.93 31/7	2848.77 2/1		
Banks the main feature in a dull market, with Commerzbank gaining on bid talk and a CSFB "buy" recommendation.								
Greece	Athens SE	1586.82	1583.75	1598.81	1794.14 8/10	954.54 2/1	2.91	16.6
Shares edged up, supported by interest in OTE Telecom and industrial stocks.								
Hong Kong	Hang Seng	11022.41	11490.66	11722.94	16673.27 7/8	9059.89 28/10	3.39	11.3
	HSCC Red Chip	1924.07	2041.57	2070.83	4110.55 27/8	1665.38 28/10		
Tumbled 4.1 per cent on lack of institutional interest, while regional market weakness dampened sentiment further.								
Hungary	Bux	7405.33	7485.75	7400.77	8403.80 6/8	4291.30 6/1	na	na
Hotel company Danubius fell Ft340 to Ft5,660 on news that its 1996 purchase of a state hotel group may be invalid.								
India	BSE Sens.	3347.33	3391.50	3468.19	4548.02 5/8	3225.24 2/1		
	Crisil 500	620.50	627.11	637.73	843.28 5/8	620.50 10/12	na	na
Shares ended sharply lower on selling by foreign funds, with local institutions staying on the sidelines.								
Indonesia	Jakarta Comp.	415.94	425.50	423.61	740.83 8/7	380.86 3/12	2.71	12.3
Selling of heavyweights Telkom and Astra as back of regional volatility and softening rupiah dragged the market lower.								
Ireland	ISEQ Overall	4028.94	4063.70†	4009.02	4063.70 9/12	2725.87 2/1	2.17	19.7
Dealers reported profit taking by investors after strong gains following last week's well received budget.								
Israel	Mishtanim 100	287.26	291.12	289.09	311.76 6/8	214.10 2/1	na	na
Shares lost ground, following the trends in Asian and European markets.								
Italy	BCI Comit 30	233.36	235.37	(c)	242.86 26/9	155.74 2/1	1.92	20.3
	Banca Com Ital	982.16	988.41	(c)	1086.89 22/10	680.42 2/1		
	Mibtel General	15674.0	15786.0	(c)	16869.00 26/9	10466.00 2/1		
Tuesday's rally in banking stocks ran out of steam. Credito Italiano lost 4 per cent on foreign selling.								
Japan	Nikkei 225	16478.12	16686.51	16131.57	20681.07 16/6	15082.52 14/11	0.92	42.2
	Nikkei 300	247.38	248.85	242.95	303.71 28/7	229.77 14/11		
	Topix	1241.16	1248.07	1221.31	1560.28 26/6	1177.82 14/11		
	2nd Section	1271.52	1265.32	1263.30	1840.25 30/6	1263.30 8/12		
Investors were cautious ahead of a corporate survey by the Bank of Japan and the government's economic package next week.								
Jordan	Amman SE	170.02	171.17	171.33	- -	- -	na	na
Malaysia	KLSE Comp.	636.36	629.15	676.47	1271.57 25/2	526.12 26/11	2.94	10.6
Late surges in Tenaga, which rose 7 per cent, and Telekom, helped to carry the market higher.								
Mexico	IPC	5096.77	5111.87	5110.38	5989.46 21/10	3359.46 2/1	1.19	14.9
♣Shares drifted lower in the morning session after falls in Wall Street deterred buyers. Volumes were very thin.								
Morocco	CASA	664.26	664.38	664.93	689.75 23/4	461.90 3/1	na	na
Shares closed slightly higher in slack trade. Banking stocks rose, but dealers said there was little buying interest.								
Netherlands	CBS TtlRtnGen	1073.7	1086.7	1088.6	1184.80 7/8	730.80 2/1	2.11	21.5
	CBS All Shr	615.5	623.8	624.1	684.40 7/8	429.00 2/1		
Dealers attributed the fall to resurgent worries about Asian currencies and stock markets, as well as a weaker dollar.								
New Zealand	Cap. 40	2396.12	2410.08	2402.49	2635.48 22/10	2162.01 28/10	3.83	19
Sky Network TV listed at a premium of 35 cents at NZ$2.75, brightening an otherwise lacklustre day.								
Nigeria	SE All-Share	6380.56	6370.85	6360.29	- -	- -	na	na
Norway	Oslo SE Ind	2116.13	2127.71	2122.06	2287.66 22/10	1638.69 2/1	1.88	14.9
More resilient than neighbouring markets as banks continued to gain ground on consolidation hopes.								
Pakistan	Karachi SE	1769.73	1786.51	1803.97	2067.98 22/10	1341.31 7/1	na	na
Lack of buying interest as concerns about the country's economic conditions galvanised the bearish sentiment.								
Peru	Lima Gen	1769.46	1785.11	(c)	2269.40 10/7	1429.78 2/1	na	na
Philippines	Manila Comp	1972.84	1979.50	1957.21	3447.60 3/2	1740.10 28/10	1.3	11.9
Ended just off as investors locked in gains notched up in the past eight rising sessions.								
Poland	WIG	14726.9	14910.9	15029.8	16338.40 18/2	14223.70 25/11	1.7	11
Shares ended lower for the third consecutive session. Some evidence of investors hunting bargains but activity was low								
Portugal	BVL 30	3638.58	3682.25	(c)	3688.81 3/10	2165.57 2/1	1.64	26.0
	PSI 20	8456.57	8513.18	(c)	8603.52 3/10	5352.34 2/1		
Banks were the main feature, with Banco Pinto & Sotto Mayor rising 2 per cent and other financials also nudging higher.								
Russia	RTS	389.10	387.34	388.13	571.66 6/10	213.38 6/1	na	na
News reports that President Boris Yeltsin had been taken to hospital knocked sentiment.								
Singapore	SES All-S'pore	442.65	449.53	455.71	573.93 17/2	380.78 28/10	2	14.6
	Straits Times	1703.52	1734.22	1753.63	2271.88 20/1	1487.83 28/10		
Soft drinks group Fraser and Neave dropped 5 per cent, while the broader market drifted lower on lack of buying interest.								
Slovakia	SAX	165.99	177.23	175.61	208.84 21/3	164.81 22/7	na	na
Shares slipped as prices fell in a number of leading issues but trading was again minimal.								
South Africa	JSE Gold	674.3♥	676.5	682.3	1588.18 27/2	620.18 5/12	3.17	12.4
	JSE Indl.	7350.7♥	7435.5	7438.3	9314.20 7/8	7350.70 10/12		
Shares ended lower as the industrial index slipped to its lowest level since 1995.								
South Korea	KoreaCmpEx**	399.85	388.00	414.83	792.29 17/6	376.87 2/12	3.14	10.4
Hopes of a foreign fund influx grew as the government brought up the timing of the foreign shareholding limit increase.								
Spain	Madrid SE	623.43	631.71	(c)	640.20 1/10	434.84 2/1	2.28	21.5
Profit taking hit recent star performers, including Telefónica, which lost 2.4 per cent, and utility group Iberdrola.								
Sri Lanka	CSE All Share	688.20	686.70	680.20	709.70 31/7	606.79 2/1	na	na
Retail buying of plantation stocks sparked across-the-board interest, pushing the index up 1.8 per cent.								
Sweden	AffarsvardidGen	3024.6	3061.8	3080.9	3315.80 7/8	2378.50 2/1	1.79	22
Market heavyweight Ericsson lost ground following Tuesday's sell-off in US high technology stocks.								
Switzerland	SMI Index	6058.6	6103.2	6095.3	6103.20 9/12	3922.90 7/1	1.07	23.3
	SPI General	3776.83	3803.55	3800.67	3803.55 9/12	2508.22 6/1		
UBS and SBC gave up some of the gains made since they announced their merger on Monday. Other blue chips were also lower.								
Taiwan	WeightedPr.**	8603.55	8333.49	8402.17	10116.84 26/8	6844.76 6/1	0.99	26.1
Financial sector surged 4 per cent, with Cathy Life Insurance rising by its daily limit, in a generally bullish market.								
Thailand	Bangkok SET	(c)	390.67	401.80	858.97 22/1	377.38 3/12	7.07	9.3
Market closed for public holiday.								
Turkey	IMKB Nat. 100	2940.0	2925.0	2857.00	3549.00 23/10	985.00 2/1	2.05	16.2
Volumes very low ahead of a parliamentary censure motion against the government which could unseat the ruling coalition.								
Venezuela	IBC	8586.44	8788.60†	(c)	10617.13 17/10	6061.99 12/3	na	na
Zimbabwe	ZSE Industrial	(u)	(u)	(u)	12061.95 5/8	7622.84 5/12	na	na
Shares fell heavily as the market reopened after a national strike prevented trading on Tuesday.								
WORLD	FT/S&P World(§)	(u)	256.34	256.91	269.47 7/10	226.61 14/4	na	na
	MS Capital Intl$	939.7*	945.7	947.9	981.80 31/7	794.50 14/4	na	na
CROSS-BORDER	Eurotrack 100	2680.19	2688.69	2683.01	2794.93 7/8	1899.80 2/1	na	na
	FTSE E100	2258.86	2285.56	2284.28	2393.95 7/8	1582.99 2/1	na	na
	HSBC JC Drgn	(u)	273.10	279.72	434.83 5/8	239.56 28/10	na	na
	ING Brngs Emrg	144.70	145.58	147.29	198.81 9/7	136.75 13/11	na	na

** Sat Dec 6 : Taiwan Weighted Price 8343.76; Korea Comp Ex 485.73. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ Xetra/DAX after-hours Index: Dec 10 - 4116.70 -70.49. † Correction. * Calculated at 15.00 GMT. ⊕ Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♣ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation. ☆ Yields and P/E ratios are based on Datastream Total Market Indices. ♣ Midsession.

NASDAQ NATIONAL MARKET

4 pm close December 10

Stock	Div.	P/ E	Sls 100s	High	Low	Last	Chng
ACC Corp		152	6661	52	49¾	52	+⅞
Acclaim E			2918	4⅛	3⅞	4	-⅛
Acxiom Cp		32	2029	17⅛	16⅞	16⅞	+⅜
Adaptech		22	28020	43½	40⅝	40¾	-1¼
CastleeCm	1.08	16	15	38⅝	38¼	38⅝	+⅛
Cerny S	0.18	21	525	28	24¼	24⅞	-⅞
Celgene			925	9⅞	8⅝	8⅝	-½
CEM ♣		28	2	10¾	10⅝	10¾	
Fiberd			3446	30⅞	29⅞	29⅞	-1⅞
Fiat Am	0.80	21	6830	50	48¾	50	+1¼
FstSec	0.68	23	7263	36⅝	34¾	35¾	-⅞
FstTenn x	1.32	22	4107	67	65¼	66⅞	-⅞
Labone	0.72	30	115	17	16⅝	16¾	-⅛
Ladd Furn		22	74	16	15⅞	15⅞	-⅛
Low Rsch			12695	31¼	30⅝	21⅝	-⅞
DrugMail ♣		16	2705	32⅝	32	32⅝	-⅛
Orthofix		45	10	12⅞	12⅞	12⅞	
Oshap		61	226	6⅞	6½	6½	
OshkBgshA	0.28	61	520	34⅞	34	34⅞	-⅞
Read-Rite		9	4708	18¼	17⅞	17⅞	-⅛
Recoton		19	84	13¾	13½	13½	-⅛
RegFinCp	0.80	18	3757	42	41	41¼	+⅜
Steel Tec	0.18	18	187	11¼	11	11	-⅛
SteelyUSA			465	¾	11/16	¾	+1/16
Swift	0.50	18	233	21	20¾	21	+¼
StudDyn♣		14	2359	18⅝	17½	17⅞	-⅛
Unicmp x	0.15	17	929	22	22¼	22¾	-⅛
Unitrn	2.40	21	1328	64⅞	63¾	63½	-1⅞
US Energy			380	9¼	8⅞	9⅛	-⅛
US Servis			25	11⅞	11⅞	11⅞	+⅛

Remaining NASDAQ National Market listings: [illegible]

AMEX PRICES

4 pm close December 10

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
[illegible]							

EASDAQ

EASDAQ is a fully regulated independent pan-European Stock Market focused on high growth companies with international operations. The shares of companies on the EASDAQ Stock Market can be bought and sold through EASDAQ Members.

Company	Mid price	Change on day	Volume	High	Low	Company	Mid price	Change on day	Volume	High	Low
[illegible]											

Prices for 10/12/97. Please note that mid prices are now used to calculate market cap and index. Information about EASDAQ can be found on the Web site at HTTP://WWW.EASDAQ.be EASDAQ offices are located in Brussels (Tel: 32-2 / 227 65 29) and in London (Tel: 44-171 / 429 3940).

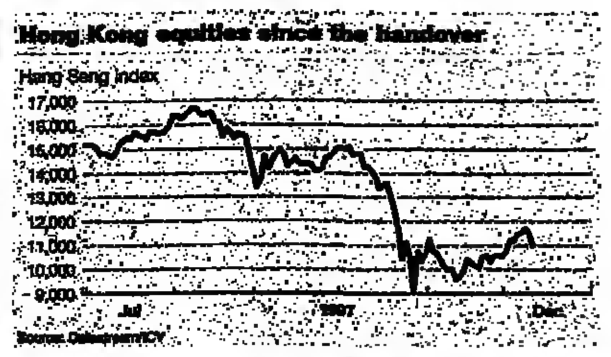
Eastern declines cause 'rest of world' jitters

WORLD OVERVIEW

After a period when the markets seemed willing to turn a blind eye to the Asian crisis, a round of declines on far eastern bourses had a knock-on effect in the rest of the world yesterday, *writes Philip Coggan.*

With the Japanese financial package being postponed, there was little in the way of positive news from Tokyo to stabilise the markets, and investors in any case seemed to have second thoughts about the merits of the purported plan to issue Y10tr worth of bonds.

Korea's stock market edged higher, with the government bringing forward measures to encourage foreign investment. However, the won took another battering and the suspension of five merchant banks exacerbated the air of crisis. This took its toll on Hong Kong where, after a steady period, selling pressure on the currency resumed. The Hang Seng index shed 4 per cent.



The ricochet effect of Asia's problems was seen as a weak Wall Street close on Tuesday was blamed on a fall in technology stocks following a profits warning at Oracle. The US software company blamed the turmoil in Asia for its earnings downturn, and tech shares were still being affected by its comments yesterday.

Europe was also hit by a downturn in the dollar and by another fall on Wall Street in early trading, as J.P. Morgan blamed unsettled stock markets for lower earnings in the fourth quarter. This all combined to send the FTSE Eurotop 100 index down 1.2 per cent.

Analysts continued their efforts to determine how the Asian crisis would affect corporate earnings in the rest of the world.

A note from the team at Dresdner Kleinwort Benson said: "Exchange rate devaluations in east Asia have significantly reduced the prices at which a number of east Asian countries are able to sell into world markets over the space of only a few months. We believe that South Korea and Taiwan pose the greatest threat to the greatest number of European companies."

However, Dresdner said that the split of companies affected would not be strictly on sector lines. The companies that will suffer will have characteristics such as high transport costs, commodity products, weak brands and high labour costs.

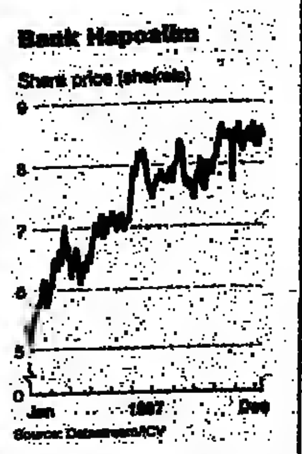
Some commentators are suspicious of the recent revival in world markets. Edmond Warner, global strategist at NatWest Markets, said: "Year-end liquidity is playing havoc with a rational assessment of equities. Fund managers are finding themselves with too much hard cash. Investors should take care not to get drawn into these temporary year-end rallies, especially not in Asia."

London market, Page 28

EMERGING MARKET FOCUS

Drinks could be on Israeli banks

Israel's business community and policy-makers toasted in Tel Aviv this week the state's sale of Bank Hapoalim, the country's biggest, to a group of private investors. But a conflict is brewing behind the celebrations.



Bank Hapoalim is resisting a government initiative aimed at breaking big banks' control over provident funds, popular long-term savings funds worth about Shk90bn ($25.5bn). Through its control of about 60 per cent of these funds, Hapoalim maintains a tight grip on Israel's capital markets.

"When the three biggest banks control most of the liquidity in the equity and fixed income markets through provident and mutual funds, you end up with a small number of decision-makers and a serious concentration problem," said Guy Rolnik, a markets commentator from the Israeli daily Ha'aretz. "There is an acute conflict of interest since the banks are both lenders and underwriters and have many vested interests."

The consequences of such concentration were felt during a crisis in the Israeli bond market last year that was blamed on huge redemptions of provident funds. Reducing bank control over these funds would boost liquidity, say analysts.

Last year, a bill designed to build Chinese walls between the banks and their funds passed its first of three parliamentary readings. The aim of the proposal was to force the banks to relinquish control of provident fund investment boards. The bill has gone back to the drawing board.

Michael Kleiner, chairman of the Knesset [parliament] subcommittee on capital markets, who is responsible for pushing the bill through, says building Chinese walls is insufficient. "I'm not excited about the proposal," he said. "Fund owners must be responsible. And to be responsible, you need control. The funds should be separated completely from the banks or else we must prevent conflicts of interest using stricter measures."

David Tadmor, Israel's new antitrust commissioner, has appealed to the government to strip the banks of provident funds.

Government officials say spinning-off the funds is not realistic because there are not enough buyers to take over the sizeable funds. Instead, they want to expand on the original bill to neutralise the banks' influence. Proposals under discussion would institutionalise supervision over administrative fees charged by the funds and limit the amount bank-owned funds may invest through their own banks.

Fearful of losing a big source of profits, Bank Hapoalim has been lobbying hard to prevent any legislation with bite from being pushed through the Knesset. This perhaps, is the most potent sign that the government is serious about reform.

If reforms are indeed near, the Israeli public and market players may soon be able to join the privatisation festivities.

Avi Machlis

High-tech stocks suffer at midsession

AMERICAS

The Dow Jones Industrial Average dipped below the 8,000 point level in morning trading as stocks continued to be battered by bad news from Asia, *writes John Authers in New York.*

High-technology companies were particularly badly hit, as the repercussions of Oracle's disappointing earnings statement, announced late on Monday, continued to be felt. Sentiment was further harmed in mid-morning by a profits warning from J.P. Morgan, the only bank stock in the Dow's 30 constituents. It said it had been adversely affected by trading losses during the fourth quarter, largely as a result of the Asian currency crisis, and would not match its earlier expectations.

By midsession, the Dow was trading about 100 points below its opening, off 97.47 at 7,952.19. The broader S&P 500 index was down 1.1 per cent at 964.84, while the Nasdaq Composite, which includes the largest technology companies, was off almost 2 per cent, down 31.02 at 1,589.53.

By midday, J.P. Morgan's shares had slipped 3.2 per cent, off $3⅞ at $119, in spite of its announcement, at the same time as the profits warning, of a share buy-back. Other "money centre" banks with strong international exposure were also hit, with Chase Manhattan off 2.6 per cent and Citicorp off 3.9 per cent.

Technology stocks suffered most, however, with worries about Asia forcing sharp reductions for all the leading stocks in the sector. By midday, Bay Networks was down 10.9 per cent, while Compaq and Dell, both large computer manufacturers, were off 5.7 and 5.3 per cent respectively. Intel, the largest semiconductor manufacturer, was down $2¾ at $73¼.

Among the 30 Dow constituents, International Business Machines was the worst affected, off 3.9 per cent or $4¼ at $106¼.

Bad news afflicted other sectors. Shares in Corning, the manufacturer, fell $2¼ at $39⅞ after it announced that its agreement to sell its consumer products division had fallen through.

Speculation that Merrill Lynch was backing off from negotiations to buy Hambrecht & Quist, the largest independent west coast investment bank, because of speculation about the high price it was preparing to pay, saw the latter's shares fall sharply - down $3⅛ or 8.7 per cent at $35¾.

TORONTO moved lower, hit by the weak opening on Wall Street and profit-taking among the heavyweight banks. The 300 composite index was off 25.09 at 6,741.90 at noon.

After recent steady gains, the banks sector fell back and techs were a downside factor too. Newbridge Networks, off C$4.55 on Tuesday, fell a further C$3.85 to C$52.35 yesterday morning following the overnight shake-out for US computer software stocks.

Royal Bank lost 20 cents to C$79.95 and Bank of Montreal came off 20 cents to C$66.90.

Banks press ahead in Paris

EUROPE

Bank shares continued to push higher in PARIS in heavy two-way volume as takeover rumours gained ground against the trend of a broadly weaker market.

Paribas rose a further 9 per cent for a three-day gain of of almost a fifth. It advanced FFr44 to FFr537 in 3.1m shares traded. CCF gained FFr12.60 to FFr429.60, Cie Bancaire added FFr63 or 6.4 per cent to FFr1,053 and BNP jumped FFr27.20 or 8.4 per cent to FFr350.

The hot rumour at Paribas swung away from Tuesday's suggestion of an imminent takeover by GE Capital of the US to an outright merger with rival French banking group Société Générale.

But the broad market was dull with the CAC 40 index slipping 27.22 at 2,932.18. Motors led the way down, with Michelin off FFr14.90 or 4.6 per cent at FFr310.20 and Renault retreating FFr7.90 or 4.4 per cent to FFr170.10.

FTSE Actuaries Share Indices — European series

December 10 National & Regional Markets	Ecu index	Day's %	change points	Yield gross %	xd adj	Total retn (Ecu)
FTSE Eurotop 300	978.54	-1.15	-11.37	2.30	0.00	983.61
FTSE Eurotop 100	2258.86	-1.17	-26.69	-	-	-
FTSE Eurotop 300 Regions						
300 UK	990.95	-1.19	-11.93	3.18	0.00	1006.16
300 Ex-UK	969.05	-1.16	-11.03	1.79	0.00	971.43
300 Eurobloc	958.99	-1.32	-12.80	2.00	0.00	960.06
300 Ex-Eurobloc	991.81	-1.03	-10.37	2.51	0.00	1001.35
FTSE Eurotop 300 Economic Groups						
Resources	940.65	-0.97	-9.16	2.82	0.00	953.64
General Industries	912.26	-2.16	-20.16	2.18	0.00	914.44
Consumer Goods	964.55	-1.04	-10.15	1.89	0.00	974.92
Services	975.74	-1.72	-17.11	2.28	0.00	982.42
Utilities	1005.26	-0.83	-8.49	2.97	0.00	1014.95
Financials	1034.98	-0.45	-4.72	2.22	0.00	1040.49

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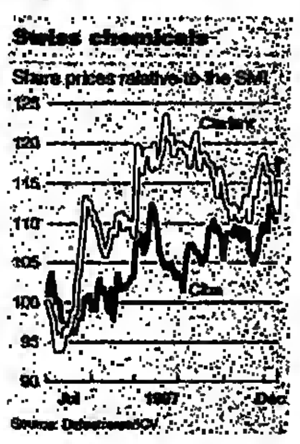


Elsewhere the malaise across the European steel sector sent Usinor down FFr5 to FFr66 while the overnight shake-out for high-tech stocks on Wall Street cast a deep cloud. SGS-Thompson fell FFr19 or 4.8 per cent to FFr379.50.

FRANKFURT was weak, following the early fall on Wall Street, and the Xetra Dax index finished 70.43 or 1.7 per cent lower at 4,116.70.

SAP dropped DM10.80 to DM561.20 on a downgraded recommendation from a US investment house in the wake of disappointing results from Oracle, the US software manufacturer, on Tuesday.

In the banking sector, Commerzbank rose 60pfg to DM68.80 after CS First Boston upgraded its recommendation. Deutsche Bank added 75pfg to DM125.40 and Dresdner Bank climbed DM1.80 to DM81.30.

Karstadt jumped DM15 to DM658 on reports that the Schickedanz group, which already holds a 20 per cent stake in the retailer, wanted to gain a majority holding. Karstadt rejected the speculation as "nonsense".

ZURICH turned its attention from the banking sector to the chemicals and pharmaceuticals companies and the SMI index pulled back after two days at record levels to close 46.6 lower at 6,056.6.

Ciba Speciality Chemicals and Clariant both put in early spurts on a retelling of old rumours that the companies were likely takeover targets.

Ciba, up at a high of SFr179 early in the day, turned back to close SFr2 weaker at SFr170. Clariant held on to SFr29 of its advance to close at SFr1,199.

Among the banks, UBS and SBC gave up some of the sharp gains racked up in the previous two sessions after they revealed their merger plans on Monday. UBS bearers gave up SFr20 to SFr2,16? and SBC lost SFr6 to SFr469.50.

In the insurance sector, where the bank merger set off rumours about imminent restructuring moves, Swiss Re added SFr63 to SFr2,460, with Mr Martin Ebner's BZ Bank said to be a buyer.

AMSTERDAM came down in line with Franfurt, losing 13.70 to 910.30 on the AEX index.

Ahold and Hoogovens both fell more than 4 per cent, with the retailer slipping Fl 2.30 to Fl 52.20 and Hoogovens retreating Fl 4.10 to Fl 92.40. KLM ran into clear profit-taking, slipping Fl 3.60 to Fl 74.90 after two days of substantial gains on the back of pan-European alliance talk.

MILAN slipped back as Tuesday's rally in banking stocks went into reverse. Talk of foreign selling hit Credito Italiano, which ended L215 lower at L5,106. BCI was L48 lower at L5,298. Led by the banks sector, the Mibtel index gave up 112 to stand at 15,674.

MADRID fell across the board, with dealers reporting widespread profit-taking. The general index fell 8.28 to 623.43.

Telfónica, which has rallied 21 per cent since November 12, was a principal target. The shares lost Pta110 or 2.4 per cent to Pta4,490. Utility group Iberdrola, another stock that has performed strongly in recent weeks, fell Pta80 to Pta2,000.

STOCKHOLM and HELSINKI were driven lower as heavyweight technology stocks fell in response to Tuesday's high-tech sector correction in New York.

Fears that slowing Asian sales would hit growth were behind the slide at Sweden's Ericsson, which lost SKr13.50 to SKr293.50. Nokia of Finland retreated FM19.10 to FM403. Both account for a large proportion of their local indices, and the Stockholm general index lost 47.87 to 2,974.38, while the Helsinki general index slid 76.86 to 3,344.34.

MOSCOW fell by nearly 5 per cent following news reports that President Boris Yeltsin had been admitted to hospital. Although the reports claimed Mr Yeltsin was only suffering from a cold, dealers were unnerved by the government's refusal to comment on the story. The RTS index ended 18.18 lower at 369.16.

Written and edited by Michael Morgan, Jeffrey Brown, Jonathan Ford and Nicholas Miller.

SOUTH AFRICA

Shares in Johannesburg had another dull session, moving lower across the board in thin volumes with the all share index slipping 61.4 to 6,097.4.

Industrials led the way, falling to their lowest level since October 1975 in intra-day trading before they eventually settled at 7,350.0, down 84.8 or 1.1 per cent. JCI came off R1.10 to R22.90. Golds eased 2.3 to 674.3.

Markets track US lower

Latin American centres followed Wall Street lower in morning trading, notably Brazil where equities fell by almost 5 per cent during the opening session.

SAO PAULO fell steeply with the lack of volume failing to steady the impact of what brokers described as relatively light selling.

Most of the downside action was ascribed to Wall Street's weak opening.

Index heavyweight Telebras led the way down, sliding 5.8 per cent to R$115.40.

At midsession, the Bovespa index of 51 most traded shares was off 487 or 4.9 per cent at 9,353.

MEXICO CITY chose to move lower after two sessions of flat trading. "There is no obvious rush to sell, but no one can argue with the current trend in the US," said one broker.

At midsession, the IPC index was down 82.77 or 1.6 per cent at 5,029.10.

SANTIAGO was also in bleak mood. The midsession calculation on the IPSA index showed a loss of 1.46 or 1.8 per cent to 113.57.

Hong Kong dips on weak demand

ASIA PACIFIC

A lack of institutional demand left HONG KONG sharply lower for a second straight day and brokers forecast that a more optimistic tone was unlikely to emerge before the end of the year. The Hang Seng index finished 468.25 down at its low for the day of 11,022 for a two-day fall of 6 per cent.

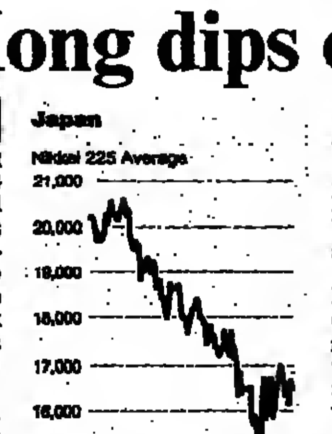
The commercial and industrial sector led blue chips down but China plays were the market's worst performers.

Index heavyweight Hutchison Whampoa dropped HK$2.75 to HK$51 in heavy trade of HK$503.7m.

The red chip Hang Seng China Affiliated Corporations index fell 5.8 per cent while the Hang Seng China Enterprise index of 39 H-shares stumbled 8.3 per cent lower.

TOKYO gave up some of the previous day's 3.4 per cent gains in light turnover. The Nikkei 225 average ended 208.39 or 1.3 per cent lower at 16,478.12 after trading between 16,408.89 and 16,676.12.

Having been boosted on Tuesday by the prospect of injections of public funds into the economy and troubled financial industries, sentiment wavered yesterday and shares lost ground in light selling.



Brokers said the plans to stabilise the financial system by issuing Y10,000bn of government bonds was seen as something of a two-edged sword. Moreover, worries before next week's economic package and "tankan" survey had reappeared.

The broad-based TOPIX index came off 6.91 at 1,241.16 while the Nikkei 300 gave up 1.47 at 247.38. In Tokyo's first-section volume fell from 470m to 396m shares.

The most actively traded share was Long-Term Credit Bank of Japan, which added Y29 at Y260 with 19.8bn shares changing hands.

SEOUL struggled to make headway against a sharply deteriorating economic background: as the won tumbled to record lows the government suspended five more troubled merchant banks.

The composite index finished 11.85 higher at 399.85, mainly because the finance ministry brought forward measures raising to 50 per cent the foreign investment ceiling on domestic stocks. The measures, which will now to come into effect today, had been planned to start on December 15.

However, many analysts dismissed the move as a desperation measure and said that foreign investors were unlikely to buy heavily into South Korea's sick economy.

Local investors continued to buy stocks seen as benefitting from greater foreign investment. Samsung Electronics ended 3,100 won higher at 42,200 won, while Pohang Iron & Steel rose 3,700 won to 50,000 won.

TAIPEI pushed higher, with the weighted index adding 170.06 or 2 per cent to 8,503.55. Brokers said buying by both local and foreign institutions was heavy. The index of financial shares rose almost 4 per cent.

Cathay Life surged the daily 7 per cent limit, gaining T$9.50 to T$149.5. Shin Kong Life and Taipei Bank were also limit up, rising T$6.50 to T$100.5 and T$3.40 to T$52 respectively.

JAKARTA was hit by profit-taking, with the composite index reversing four straight days of gains with a fall of 9.56 or 2.3 per cent to 415.94.

Index heavyweights Telkom and Astra led the downturn. The former came off Rp150 at Rp3,075 in 17m shares traded and Astra retreated Rp175 to Rp2,150.

SINGAPORE was lower, led down by a tumble in Fraser & Neave as investors took profits after the share's sharp rise from the recent low of S$6.55.

The soft drinks group dropped 50 cents to S$9.15 in active volume of 2.2m, and the Straits Times Industrial index lost 30.70 or 1.8 per cent at 1,703.72.

Focused on the growing opportunities in Brazil

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Bradesco Seguros
Advised Bradesco Seguros on the R$50.1 million acquisition of União de Seguros

Companhia Vale do Rio Doce
Advised CVRD on the acquisition of the RFFSA central-eastern railway for R$316 million

Privatisations and restructurings

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Advised the Government of the State of Bahia on the valuation, restructuring and sale of COELBA for R$1.73 billion

CEEE
Advised the Government of the State of Rio Grande do Sul on the restructuring and valuation of CEEE and the sale of the resulting distribution companies for R$3.1 billion

Advising, through the ITU, the Brazilian Ministry of Communications on the restructuring of the telecommunications sector in preparation for privatisation

ELETROSUL FURNAS
Advising the Federal Government, through BNDES, on the restructuring, valuation and sale of Eletrosul and Furnas

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Celesc
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Project Finance

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